INDUSTRY UPDATE

Channel opens 3rd N.H. unit

WHIPPANY, N.J. — Channel Home Centers is strengthening its operations in the New Hampshire market and will open its third store there in Nashua on July 23. The 55,000-square-foot unit is located in the Seimoneau Plaza on Main Street.

In March, Channel opened a 58,000-square-foot unit in Portsmouth in the Channel Plaza on Route 1.

It is also looking for a site to relocate its Salem, N.H., store. The unit, built in 1979, is now too small and needs remodeling.

"The stores are a response to the growth taking place in that state," said Ann Plaut, spokeswoman for the Whippany N.J.-based chain.

Cyclops and Dixons to merge

PITTSBURGH — At a June 29 meeting, shareholders of the Cyclops Corp. agreed to merge the firm with a unit of Dixons Group PLC, London.

Earlier this year, Dixons had accumulated 83 percent of the stock of Cyclops, parent firm of Busy Beaver Building Centers.

Remaining shareholders will receive $95 per share for their holdings.

On July 10, Dixons announced it had reached an agreement to purchase the $100 million Tipton Centers, a St. Louis-based chain of consumer electronics stores, for $30 million.

"Dixons management has been preoccupied getting that acquisition in place," noted John Gilbertson, a senior associate at Morgan Stanley & Co., the investment banking firm engaged by Dixons to provide an opinion on the acquisition of Cyclops.

"Fairly shortly, some determination should be made as to Busy Beaver," noted Gilbertson.

Star Lumber works on new DC

WICHITA, Kan. — Independent Star Lumber & Supply has begun work on a distribution center at its main West Street yard.

The 24,000-square-foot DC will house its hardware items, which are currently stored in a number of different warehouses and the basement of its West Street store.

The new DC is slated to open in late September and will be Star Lumber's third centralized warehouse.

The three-unit company, which generated sales of $50 million in 1986, already has separate carpet and lumber warehouses.

Beatrice subsidiary begins IPO

CHICAGO — E-II Holdings, the company being spun off by Beatrice Company, began its initial public offering of 28 million shares on July 2 at a price of $15 per share. Also offered was $1.5 billion in subordinated debt.

This included $750 million principal amount of 12.85% senior subordinated notes due 1997 and $750 million principal amount of 13.05% subordinated debentures due 1999.

The common stock has been accepted for listing on the New York Stock Exchange under the symbol EII.

E-II Holdings will consist of four divisions including a consumer products segment with nine independently operated companies. Among these are Aristokraft kitchen cabinets; Chicago Specialty plumbing fittings; Samsonite casual furniture; Dei Mar window coverings; and Dearborn Brass.

Stocks net middling results

NEW YORK — Fans of the home center stock market were treated to some middling results during the two weeks ended July 10.

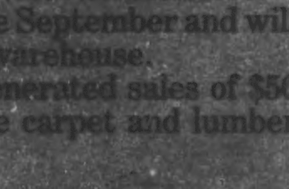
Of the 58 stocks tracked for *NHCN* by Media General, 25 increased in price, three remained the same and 30 declined.

Stanline increased 8.9 percent to $12.25. Standard Brands Paint increased 7.4 percent to $25.38.

Grossman's declined 6.7 percent to $3.75 while Moore Handley went down 5.9 percent to $8.00.

National Hardgoods Distributors declined 4.9 percent to $7.25.

(See financial tables, page 101.)



Unchanged 3

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CoastAmerica's common stock offering yields $24 million

By an NHCN staff editor

CoastAmerica successfully completed its public offering of 3 million shares on July 2.

The stock, issued at $7 per share, produced $21 million prior to underwriting fees. It sold for $8 per share by mid-July.

On July 13, underwriters exercised their over-allotment option on 450,000 shares, which produced an additional $3,150,000.

Simultaneous with the offering the company issued 500,000 option shares for the owners of Coast to Coast franchise stores. There are roughly 1,000 franchise outlets; 500 options per store were available. The option can be exercised in two years at the $7 price.

"It was a fantastic transaction for all involved," said chairman Richard Bard. "It was placed at a fair price to give all our new owners a chance to accrue value as our business plan begins to unfold."

The proceeds, along with $6.7 million in existing bankline funds, were used to repay all acquisition-related debt and to position the company to be able to support future expansion, according to Daniel Shimer, vp-treasurer.

"While the company was well positioned financially prior to this offering," said Shimer, "the prepayment of acquisition debt enables the company to be very opportunistic in its outlook toward expansion and growth."

CoastAmerica is traded as Coastam on the NYSE.

Lowe's newspaper supplies financial results to investors

By an NHCN staff editor

NORTH WILKESBORO, N.C. — Lowe's, the $2.3 billion retailer based here, has news for its investors.

Make that a news*paper* for its investors.

In the latest innovation by a company known for unusual methods of communicating financial results, shareholders received first-quarter results earlier this month in the form of a newspaper called *The Lowe's Quarterly*.

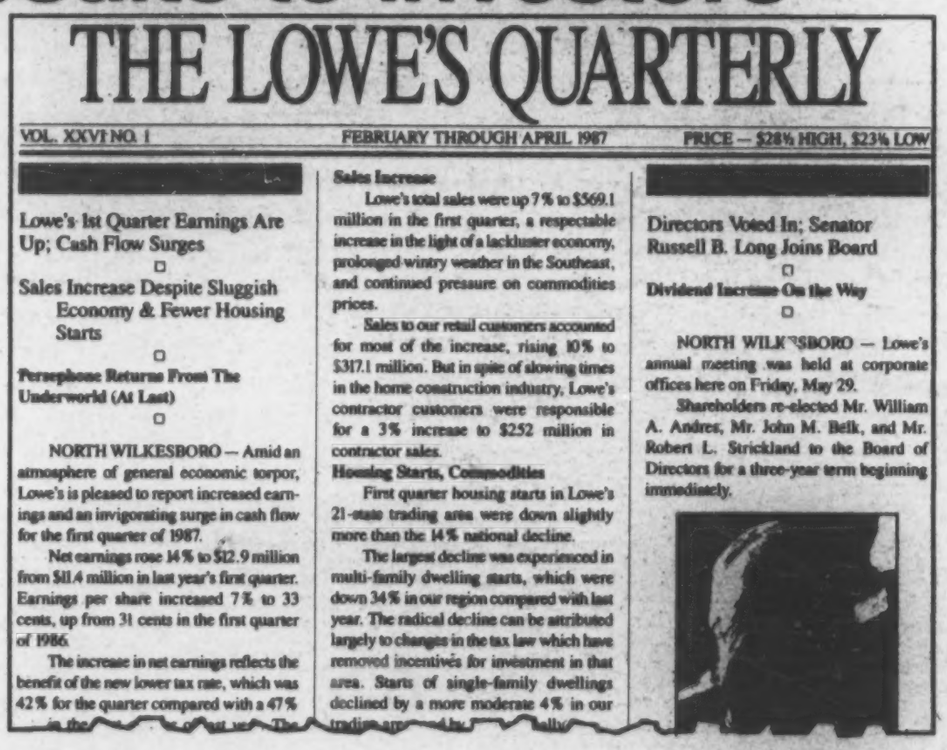
The paper's lead story is bugged "Turning the Corner" and is headlined "Lowe's 1st Quarter Earnings Are Up; Cash Flow Surges."

After noting the firm's sales increased despite "Sluggish Economy & Fewer Housing Starts," the headline trumpeted "Persephone Returns from the Underworld (At Last)."

The allusion is to Greek mythology, in which the earth was cold and barren while the goddess Persephone was in the Underworld. It was made because of the severe winter that impacted Lowe's market.

Where newspapers normally print their cover price, *The Lowe's Quarterly* carries an allusion to its stock price during the quarter ended April 30: "Price—$28½ High, $23⅛ Low."

This newspaper format will be utilized to report numbers for the remaining quarters of this year, according to a company spokesperson.



THE LOWE'S QUARTERLY

VOL. XXVI NO. 1 — FEBRUARY THROUGH APRIL 1987 — PRICE — $28½ HIGH, $23⅛ LOW

Lowe's 1st Quarter Earnings Are Up; Cash Flow Surges

Sales Increase Despite Sluggish Economy & Fewer Housing Starts

Persephone Returns From The Underworld (At Last)

NORTH WILKESBORO — Amid an atmosphere of general economic torpor, Lowe's is pleased to report increased earnings and an invigorating surge in cash flow for the first quarter of 1987.

Net earnings rose 14% to $12.9 million from $11.4 million in last year's first quarter. Earnings per share increased 7% to 33 cents, up from 31 cents in the first quarter of 1986.

The increase in net earnings reflects the benefit of the new lower tax rate, which was 42% for the quarter compared with a 47% in the

Sales Increase

Lowe's total sales were up 7% to $569.1 million in the first quarter, a respectable increase in the light of a lackluster economy, prolonged wintry weather in the Southeast, and continued pressure on commodities prices.

Sales to our retail customers accounted for most of the increase, rising 10% to $317.1 million. But in spite of slowing times in the home construction industry, Lowe's contractor customers were responsible for a 3% increase to $252 million in contractor sales.

Housing Starts, Commodities

First quarter housing starts in Lowe's 21-state trading area were down slightly more than the 14% national decline.

The largest decline was experienced in multi-family dwelling starts, which were down 34% in our region compared with last year. The radical decline can be attributed largely to changes in the tax law which have removed incentives for investment in that area. Starts of single-family dwellings declined by a more moderate 4% in our trading

Directors Voted In; Senator Russell B. Long Joins Board

Dividend Increase On the Way

NORTH WILKESBORO — Lowe's annual meeting was held at corporate offices here on Friday, May 29.

Shareholders re-elected Mr. William A. Andres, Mr. John M. Belk, and Mr. Robert L. Strickland to the Board of Directors for a three-year term beginning immediately.

The Lowe's Quarterly *is a newspaper reporting quarterly financial results to shareholders.* NHCN photo

Lone Star buys 4 stores, eyes others

By an NHCN staff editor

LENEXA, Kan. — Lone Star Hardware, a franchise of Westlake Hardware based here, completed the purchase of three Handy Dan stores and one Allwoods in Texas from the Builders Emporium division of the Wickes Companies. The purchase, completed July 2, may not be the last for Lone Star, which is negotiating for more acquisitions.

Lone Star, based in San Antonio, will lease three and sublease one of the units, which are located in Amarillo, Midland, Odessa and San Angelo, Texas, Westlake announced. The units, ranging in size from 34,000 square feet to 42,000 square feet, will remain open during the remodeling. They will be called Westlake Hardware and will be affiliated with American Hardware Supply, Westlake announced.

Daryl Lansdale, former president of W.R. Grace's central region, which at one time operated the stores acquired, is the ceo of Lone Star Hardware. Scott Westlake, president of Westlake, is chairman of the Texas franchise, the company said.

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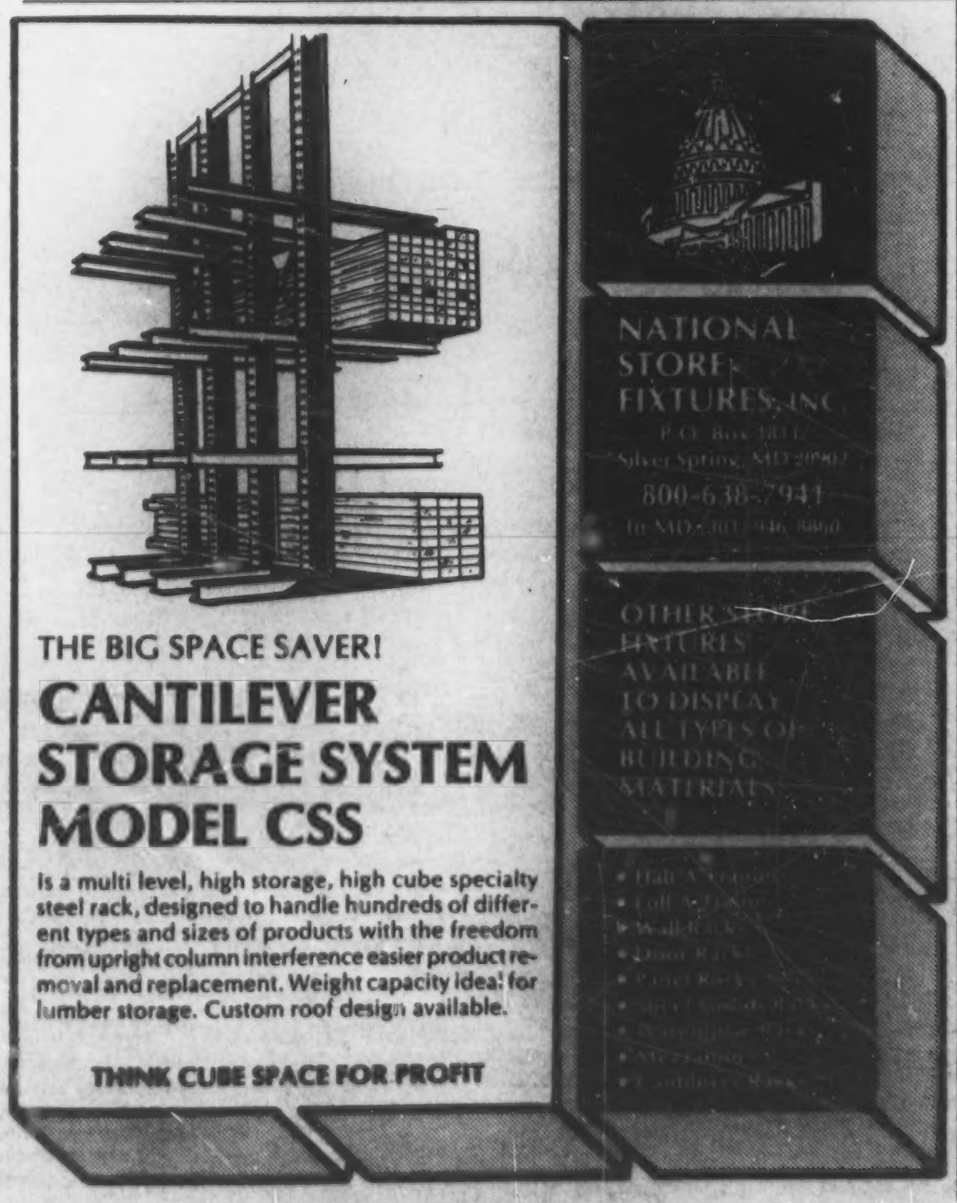

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Ken Gates, Lawrence Brothers vp sales, looks over the "two pieces of bent metal" that will convert almost any retailer's gondola into a divided bin system complete with illustrated shelf talkers. NHCN photo

Lawrence steps up marketing, introduces innovative shelving

By an NHCN staff editor

STERLING, Ill. — Next month, the national network of Lawrence Brothers sales reps will get its first exposure to the manufacturer's innovation in gondola shelving and the company's intensified marketing plans.

By utilizing long, z-shaped metal supports and scored dividers, a number of Lawrence's bagged or loose products can be quickly stocked on any shelf of virtually any retailer's gondola. The front metal support holds a header panel, allowing the retailer to line up product tags.

Stand-alone fixture

Lawrence also sought the new, segmented space system so retailers could stock larger quantities of faster-selling items, reducing out-of- stock positions.

Key to the shelf divider system's flexibility is the stand-alone nature of its design. Instead of depending on attachment to the gondola for its support, Lawrence's divider system is self-supporting.

Adhesive strips on the bottom side of the front and rear supports keep the unit in place while the plastic dividers provide variable bin sizes and lateral stability. Scored every inch, the dividers can be broken off anywhere along the 21-inch length to fit the space and simply slid into openings along the supports.

Computer-aided displays

But the shelf dividers are just one part of Lawrence's new marketing thrust. Using a computer plotter and a new in-house photo studio, Lawrence Brothers is studying demographic and prior sales data to refine present programs and tailor displays for new accounts.

Using an Apple Macintosh computer, Lawrence's national sales manager and marketing manager Mark Lauritzen designs gondola layouts for the potential customer or for an existing customer's changeover.

Each hole on each four-foot gondola's pegboard is assigned an item, even if it ultimately isn't used. Then, with a gondola loaded with merchandise, the marketing team uses an in-house photo studio to give the customer a view of the actual display.

But the actual stock order remains the customer's decision.

"We can suggest an inventory based on the store's layout, previous sales history and the demographic setting, but we won't tell you what to buy," said Ken Gates, vp of sales and marketing at the 111-year-old manufacturer.

Corrections

A caption for the chart appearing on the top of page P4 of this issue is incorrect. It should read "Home center shoppers are big lawn and garden spenders: Chart shows average overall amount spent on lawn and garden in all stores in 1986 by shoppers of each retail group."

A July 13 article of Westlake Hardware's expansion incorrectly stated that several of the chain's stores were supplied by American Hardware Supply. Only one unit in Oklahoma City is. In that story, Scott Westlake should have been identified as the chain's president.

In a hardware story that ran in the May 18 issue, *NHCN* reviewed manufacturer price increases and incorrectly reported that Stanley Hardware increased prices 2.9% since last August. Stanley did not raise prices at that time.

Daryl Lansdale is the ceo of Lone Star Hardware, San Antonio, Texas. Mr. Lansdale's name was misspelled in previous editions.

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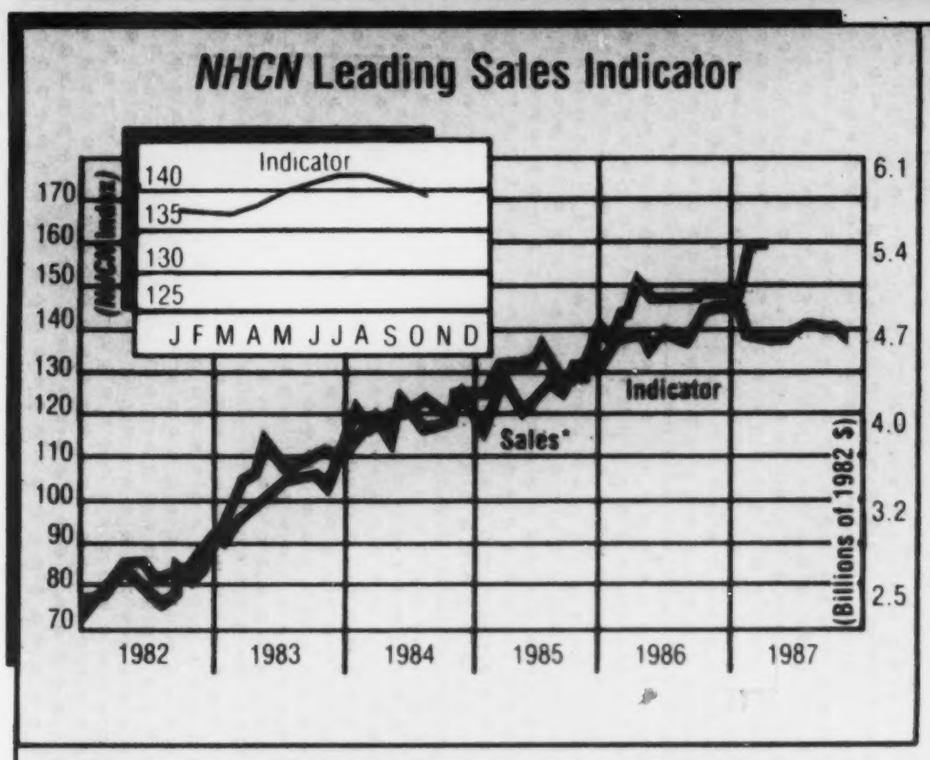
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building material sales during the second half of 1987. Resales remained strong in the first quarter, but the rise in mortgage rates suggests lower starts and resales ahead.

Sales in Mountain states will match expected national gain

By Richard E. Mount
Special to NHCN

Building material sales in the Mountain states will match the 11 percent increase expected for the nation this year. Removing the influence of inflation, sales will be up 7 percent. This contrasts to 1986 when the gain in the region was 17 percent in unit volume, two percentage points higher than the United States.

This region declined during the last recession and it was not until 1984 that the area began to recover. Because of the lateness of the snap back, it was able to exceed the national norm for a while. But the fall in energy prices in early 1986 reduced exploration and mining of domestic energy resources, pushing the economy of many states in this area down.

Richard E. Mount

Employment in the Mountain states rose 1.4 percent last year, less than the 1.9 percent national total. Other indicators showed weakness as well. Resales, an important factor for building material sales, were unchanged, nationally up 11 percent. Total retail trade in the Mountain states was up 2.5 percent, 5.4 percent in the U.S.

The region is being pulled in two different directions in 1987. States that are favorable for services, high-technology, retirement living and corporate relocations are strong, while those with con-

(Continued on page 17)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

		1986 QI	1986 QII	1986 QIII	1986 QIV	1987 QI	1987 QII	1987 QIII	1987 QIV	1985	1986	1987
***NHCN* Leading Sales Indicator** (February 1980 = 100)		124.7	127.9	132.1	137.1	138.6	140.2	141.8	140.6	118.5	130.4	140.3
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	63,708	64,396	62,956	64,584	68,720	71,369	73,848	75,766	55,695	65,529	72,426
	New England	3,012	3,270	3,435	3,488	3,677	3,768	3,892	3,970	2,597	3,301	3,827
	Middle Atlantic	7,468	7,896	7,956	8,274	8,755	9,121	9,430	9,637	6,427	7,899	9,236
	East North Central	9,864	11,647	11,365	11,627	12,232	12,682	13,138	13,494	10,081	11,126	12,886
	West North Central	3,938	4,423	4,600	4,610	4,838	4,960	5,118	5,235	4,114	4,393	5,038
	South Atlantic	14,006	13,410	12,099	12,405	13,634	14,309	14,858	15,259	11,135	12,980	14,515
	East South Central	3,717	3,800	3,665	3,549	3,848	4,075	4,276	4,410	3,104	3,683	4,152
	West South Central	8,328	7,653	7,057	7,052	7,539	7,772	7,983	8,190	7,320	7,523	7,871
	Mountain	3,660	3,308	3,352	3,508	3,718	3,833	3,951	4,069	2,956	3,457	3,892
	Pacific	9,715	8,988	9,427	10,071	10,480	10,848	11,203	11,501	7,827	9,550	11,008
Constant	**Millions $1982 SAAR Total United States**	59,791	62,149	59,924	60,188	63,469	64,750	65,750	66,200	52,705	60,513	65,042
	New England	2,827	3,156	3,270	3,251	3,396	3,419	3,465	3,469	2,463	3,126	3,437
	Middle Atlantic	7,009	7,620	7,573	7,711	8,086	8,275	8,396	8,421	6,096	7,478	8,294
	East North Central	9,258	11,241	10,818	10,836	11,297	11,506	11,697	11,790	9,564	10,538	11,573
	West North Central	3,696	4,269	4,378	4,296	4,468	4,500	4,556	4,574	3,903	4,160	4,525
	South Atlantic	13,145	12,942	11,516	11,561	12,592	12,982	13,229	13,333	10,562	12,291	13,034
	East South Central	3,488	3,667	3,488	3,307	3,554	3,697	3,807	3,853	2,944	3,488	3,728
	West South Central	7,816	7,386	6,717	6,572	6,963	7,051	7,108	7,156	6,944	7,123	7,069
	Mountain	3,435	3,193	3,191	3,269	3,434	3,477	3,518	3,555	2,804	3,272	3,496
	Pacific	9,118	8,674	8,973	9,386	9,679	9,842	9,974	10,049	7,425	9,038	9,886
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	4.73	5.08	5.46	5.40	5.35	5.28	5.27	5.24	4.67	5.17	5.28
	Middle Atlantic	11.72	12.26	12.64	12.81	12.74	12.78	12.77	12.72	11.57	12.36	12.75
	East North Central	15.48	18.09	18.05	18.00	17.80	17.77	17.79	17.81	18.15	17.41	17.79
	West North Central	6.18	6.87	7.31	7.14	7.04	6.95	6.93	6.91	7.41	6.87	6.96
	South Atlantic	21.98	20.82	19.22	19.21	19.84	20.05	20.12	20.14	20.04	20.31	20.04
	East South Central	5.83	5.90	5.82	5.50	5.60	5.71	5.79	5.82	5.59	5.76	5.73
	West South Central	13.07	11.88	11.21	10.92	10.97	10.89	10.81	10.81	13.18	11.77	10.87
	Mountain	5.74	5.14	5.32	5.43	5.41	5.37	5.35	5.37	5.32	5.41	5.37
	Pacific	15.25	13.96	14.97	15.59	15.25	15.20	15.17	15.18	14.09	14.94	15.20
Industrial Production												
Index (1977 = 100)	Brick	92.7	91.1	93.9	95.8	92.4	91.1	90.9	90.6	88.5	93.4	91.3
	Cement	121.2	108.7	105.6	108.2	107.9	106.5	105.2	104.7	105.7	110.9	106.1
	Gypsum Wallboard	132.8	133.7	132.3	134.5	134.6	134.2	133.1	132.1	126.4	133.3	133.5
	Hardware	99.8	102.1	103.5	101.7	104.5	103.9	103.2	102.9	100.9	101.8	103.6
	Lumber Products	128.0	132.8	134.1	134.2	127.5	126.7	126.1	125.2	122.9	132.3	126.4
	Paint	100.6	103.0	100.1	93.8	107.2	107.9	108.4	107.9	101.9	99.4	107.9
	Plywood	149.6	161.4	164.3	158.2	157.2	156.2	154.4	152.7	138.7	158.4	155.1

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
July 9, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Sales in Mountain states will match expected national gain

(Continued from page 16)
centrations in mining, especially energy, and manufacturing are hard pressed. The result is a regional economy with exceptionally strong states and very weak neighbors.

Nevada still going strong

Nevada continues to be the premiere state in the region for growth. Employment rose 5 percent last year, resales 10 percent and single-unit starts 36.2 percent. Its service-based economy is less cyclical, allowing it to weather downturns at the national level.

Arizona's economy has been vibrant with employment up 4.9 percent last year. But housing markets, overbuilt in areas, were not as strong as in Nevada. Resales were up 2.9 percent, single starts 0.8 percent.

The first quarter of 1987 saw a sharp drop in resales to 45,500 units from 73,100 in the prior quarter, as owners of second homes sold to take advantage of capital gains rates under the old tax law.

With resales a good indicator of future building material sales, a continuation of current resales levels, which we do not anticipate, would bode ill.

Mixed results

New Mexico had a mixed performance. Resales were off 1.5 percent while single starts rose 34 percent.

Behind this dichotomy is a 1.4 percent rise in employment as most sectors did moderately well, save for mining. The state is attractive for retirees, keeping housing demand strong.

Hard-pressed states

Utah showed some improvement in 1986, employment was up 1.6 percent, but resales were down 5.8 percent and single-unit starts 11.7 percent. Manufacturing, mining and construction were off last year.

Idaho employment was off 0.4 percent in 1986 with mining and manufacturing down. Resales declined 1.7 percent and starts rose only 3.3 percent.

Montana felt the impact of lower mining activity in 1986 (down 13 percent in the state) and the spill-over into transportation, trade and construction pulled the total down 1.1 percent.

There was a 7.2 percent rise in resales but single starts barely rose—up 0.6 percent.

Wyoming was the most severely harmed among the Mountain states in 1986. The drop in coal mining caused total employment to be off 3.8 percent.

Resales were down 6.2 percent, but single-unit starts rose 2.3 percent.

Regional outlook

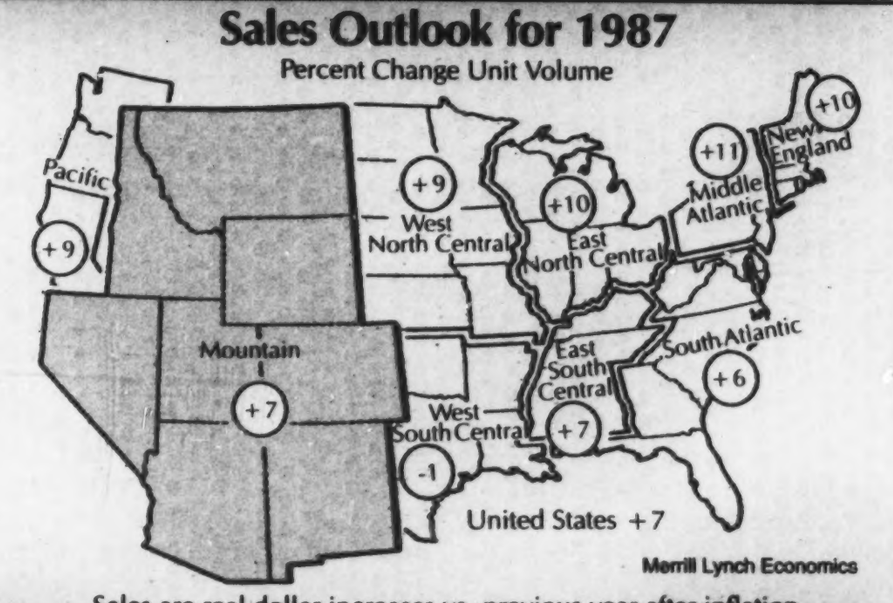
The two-tier economy in the Mountain states should persist this year due to continued problems in energy and manufacturing.

facturing.

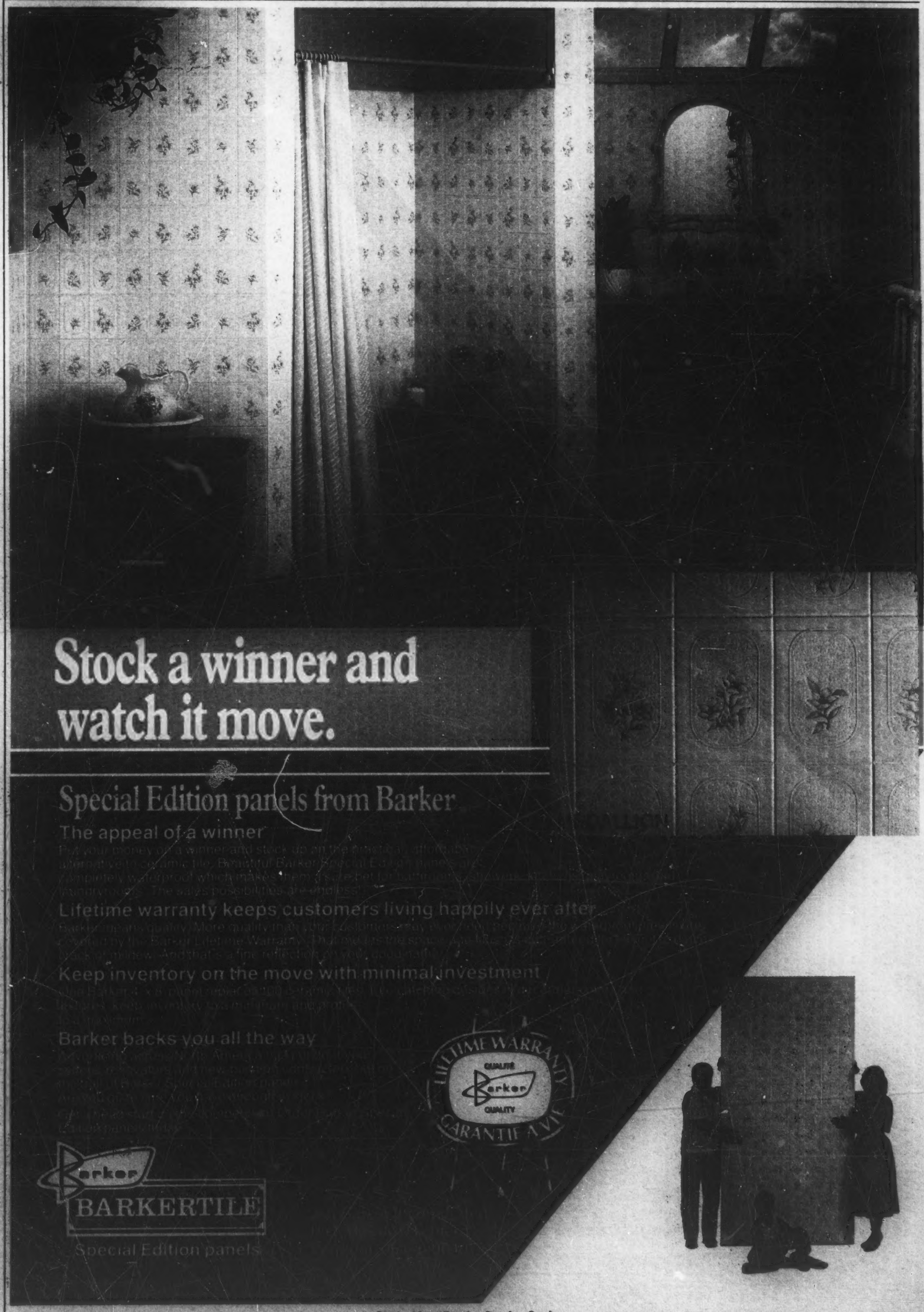
Many states are hard pressed by soft employment and housing markets. while building material sales in the region as a whole will rise 11 percent this year, state-by-state differences will be large.

It will not be until 1988 that the region begins to again rise faster than the national average. The differences between strong and weak states within the region will narrow.

Energy prices and drilling activity are turning up now and the decline in the dollar will help manufacturing. Gains in employment will be translated into stronger resales, housing starts and building material sales.



Sales are real dollar increases vs. previous year after inflation.



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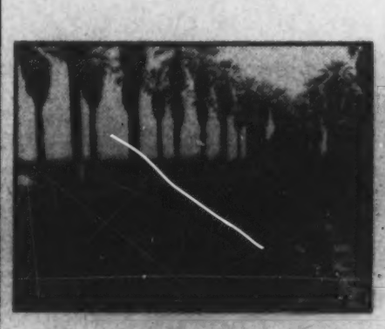
PROJECT SELL:

HIGHLIGHTS

P11 **NO-LAWN LAWNS** In some areas of the country, due to water shortages and low-maintenance appeal, marble chips, tree bark colored stones, and other materials are replacing grass as the preferred ground cover.

GOING UNDERGROUND DIYers are installing sprinkler systems more and more these days. And retailers and manufacturers are offering the products and know-how to make it easy for them. **P12**



PLANT SUPPLIER Monrovia Nurseries in Azusa, Calif. is one of the world's largest container nurseries. About 1,400 varieties cover nearly 1,000 acres of the San Gabriel foothills. **P17**

DECK SCHOOL Moser Lumber attributes 70% of this year's deck sales to monthly clinics that guide DIYers step by step. **P20**

P23 **PLAY TIME** Playground kits, with swings, slides and other accessories are gaining favor with retailers.

SAVING SCRAPS Rather than dispose of sawmill waste, many manufacturers are coming up with some unusual treated lumber products for the backyard. **P25**

P26 **BACKYARD BALCONIES** Apartment and condo dwellers need special services when it comes to outfitting their "backyards."

RETAILERS CULTIVATE BACKYARD PROJECTS

By John Caulfield
NHCN staff editor

NATIONAL REPORT — "Our purpose is to sell projects. And if you sell plants, you've got the beginnings of a project sale."

This comment, made by the buyer for a major East Coast chain that has been putting lawn and garden centers into its stores over the past year, typifies the approach many dealers are now taking in their lawn and garden departments, which have become some of the more profitable areas of their stores.

"Our analysis of the category shows its profitability over the last five years being greater than the stores' average," said Jim Cosgrove, merchandising manager of seasonal departments for Coast to Coast Stores. The Denver wholesaler is developing a 4,000-square-foot, 3,500-stockkeeping unit lawn and garden program for franchisees that will be available in 1988 and could evolve into a free-standing store selling related commodities.

Selling lawn and garden with a project slant "allows you to tie in a number of areas of your store, increases your average sales ticket, and directly affects your sales per square foot," said Cosgrove.

Throughout the country, chains and independents are sending the project message to their lawn and garden customers through in-store displays, advertising and cross merchandising. Some examples of these efforts include:

- Builders Square, the San Antonio, Texas, warehouse chain, is testing Weyerhaeuser's new computer-aided deck design program in two of its stores;
- Conklin Lumber, the Warwick, N.Y., independent, has just completed a summer-long promotion in which it gave away an entire backyard project—complete with pool, power tools and lawn furniture—worth $4,000. The promotion helped Conklin increase its sales by 20 percent (*see other story*);
- A major East Coast chain has brought garden tools to its garden centers and is drawing attention by placing them under canopies in the outdoor department;
- Even manufacturers are getting into the act. Besides Weyerhaeuser, which is pushing its nursery and deck products, O.M. Scott & Co., the industry's leading supplier of fertilizer, this year brought out its new "Aqua-Link" sprinkler system, and will soon put its own brand on the line of lawn and garden tools it has been distributing under the Burpee name;
- Customers walking to Triangle Building Centers' garden department display set up in the stores.

The deck as 'focal point'

A lot of project selling revolves around the deck. Richard Thompson, a buyer for Triangle, called the 8x12 or 15x30 decks in each of Triangle's stores (depending on its size) the "centerpiece" of the chain's lawn and garden project program.

The 16-unit Lumbermen's chain, based in Olympia, Wash., shows three species of wood for its decks as well as the display kits and related metal products for their construction. Then on a completed model, one can find lawn furniture, barbecue grills, hose hangers and an array of other products.

"The deck is the focal point," noted Lumbermen's executive vp Bill Cromett, who saw lawn and garden in general as "a very good category for project selling; we do a tremendous job with landscape timbers by selling six different types." However, the Lumbermen's units are hampered by their size—averaging around 10,000 square feet—and are unable to sell outdoor power equipment or live plants. However, this season the company initiated a private label fertilizer program Cromett said was working well.

In lawn and garden merchandising and marketing, the ability of a store to capitalize on project selling can be based upon the square footage he has to work with.

Burton Lumber & Hardware in Salt Lake City has three stores which average only 2,500 square feet. But the independent, whose stores sit on five acres, has compensated for its selling space by specializing only in certain projects, such as cedar fencing and treated decks.

"We're relying on our sales people to tie in the rest of the store with these products," said Ron Bell, Burton's general buyer. "If a person comes in to buy 800 feet of 2x6x16s for a deck and that's all he walks out with, we're not doing our job."

With more room, a store has more options, both from a merchandising and advertising standpoint. The five-unit Triangle, based in Quakertown, Pa., recently had in one of its circulars all the products that would be needed to complete a patio:

(Continued on page P4)

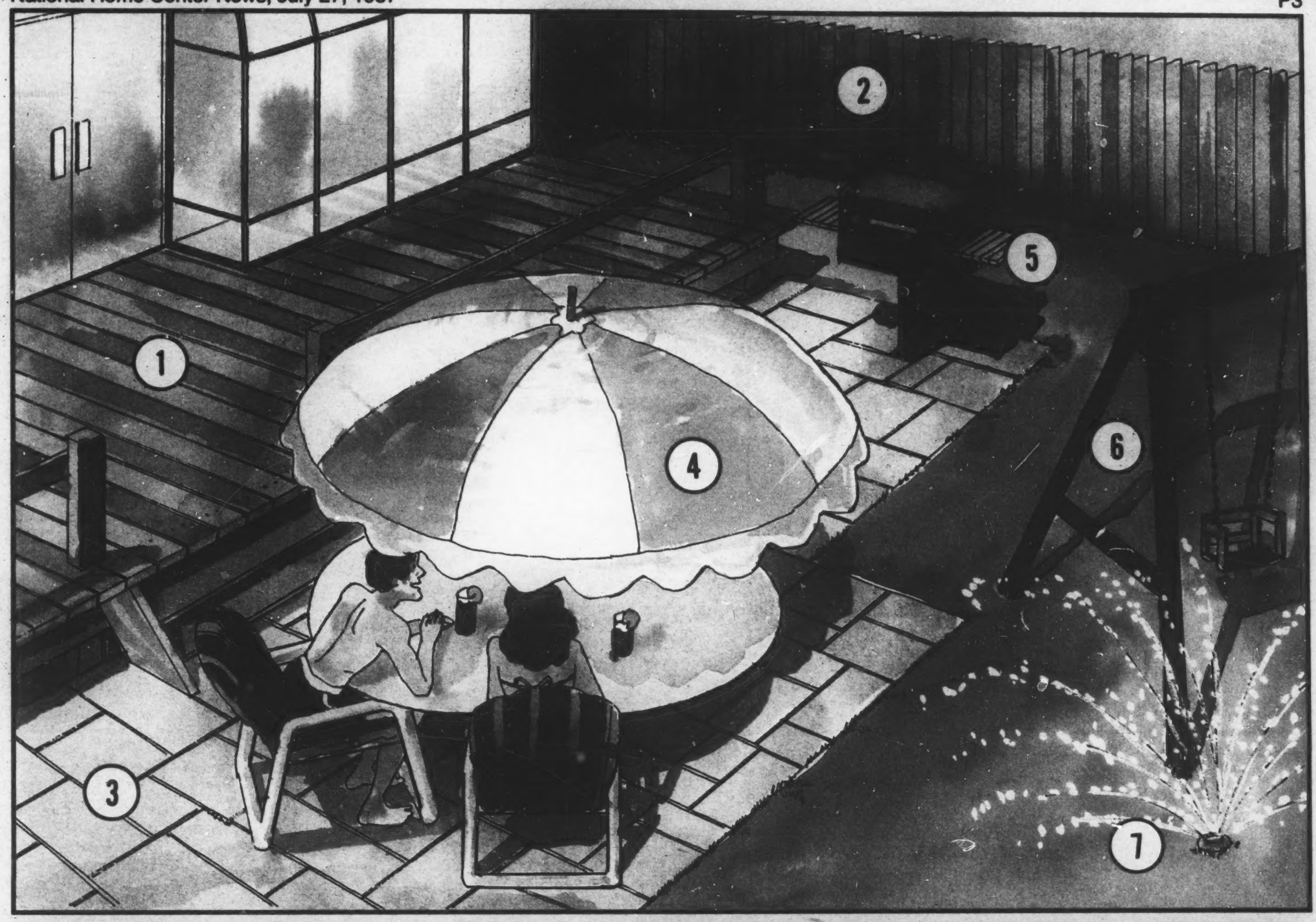
SPENDING MORE Americans spent more than $14 billion to keep their yards and gardens looking beautiful in 1986, an increase of 18 percent from last year. Lawn and garden activities and products that enjoyed the biggest increases in sales included flower bulbs, insect control, vegetable gardening and fruit trees.

What they spent

Chart shows how much consumers spent on yard care in 1986. Also shows how many households participated in various garden activities. Dollars and households in millions

	Dollars spent	Households
Lawn Care*	$4,317	51
Landscaping	2,176	20
Flower Gardening	1,519	39
Vegetable Gardening	1,363	34
Insect Control	992	29
Tree Care	845	21
Indoor Plants	826	40
Shrub Care	659	28
Other**	1,509	—

Source: Natl. Gardening Assoc.
*Includes outdoor power equipment, fertilizer, irrigation, seed, sod and related products.
**Includes bulbs ($431M); fruit trees ($382M); container gardening ($310M); ornamentals ($166M); transplanting ($133M); berries ($50M); and herb gardening ($39M).



Adding up a backyard

Some average prices of backyard accessories

1) Deck
All treated lumber for 10-foot-by-14-foot deck in cluding decking, joists, beams and railing: From $670 to $1,000.
- Seventeen-lbs. of galvanized nails: From $19 to $25.
- Fasteners and hardware: About $60.
- Pressure-treated stair stringers (three steps): From $8 to $13.

2) Fencing
Six-foot-high spruce stockade: About $3.25 per foot

3) Patio
Bricks for 10-foot-by-12-foot patio (about 560), sand and plastic forms: About $250.

4) Furniture
Five-piece resin group: About $350 (High-end for home centers, but slightly above opening price at garden centers).

5) Portable Gas Barbecue
Ranges from $77 to $350.

6) Outdoor playground
Prices vary, but average is between $220 to $400 for hardware kits not including lumber. Pre cut kits with lumber start at $1000.

7) Underground sprinkler system
Ranges from $1,200 to $1,500 installed.
For merchandise alone (includes 24 heads and seven zones, covering 1/3 acre): from $400 to $600.

TOTAL COST: LOW END
Includes 150 feet of fence, DIY sprinkler and low-end playground kit without lumber: **About $2541.50**

TOTAL COST: HIGH END
Includes 150 feet of fence, installed sprinkler and pre cut playground kit with lumber: **About $5035.50**

NOTE: Prices were obtained by phone interviews with retailers in different parts of the country and may vary. Lumber, for example, is cheaper in the South, so projects using lumber would be cheaper to build there.

Survey: Dealers attracting the right buyers

By an NHCN staff editor

NATIONAL REPORT — Home centers, through project selling efforts, are doing a good job attracting those customers who, according to research, are the biggest spenders on lawn and garden products.

However, the industry's market penetration into the lawn and garden arena, while expanding, continues to be marginal compared to competitors in the specialty, discount, even supermarket fields.

These were some of the key findings reported in the *National Gardening Survey, 1986-1987*, published recently by the National Gardening Association (NGA) in Burlington, Vt.

The study, which was conducted by the Gallup Organization, interviewed 2,566 households last September and October. Its results are nationally projectable to 91 million households.

It showed a robust retail lawn and garden industry which grew 18 percent last year to $14.206 billion.

The study also showed that the average annual customer ticket amounted to $196, compared to $159 in 1985.

"We're just starting up with a new generation of home-owning consumers, so we see the growth continuing for at least another decade," said Bruce Butterfield, research director for NGA.

Separate research conducted for Weyerhaeuser's Nursery Products division by Gallup, NGA and Trendnomics last spring found that new homeowners planned to spend an average of $1,500 on landscaping, which they thought would increase property value an average of 14.87 percent. (More than one in five new home owners surveyed thought their land value would go up 25 percent after landscaping.)

The Weyerhaeuser-funded studies discovered that homeowners are more likely to landscape a house that is between 10 and 20 years old.

The survey tracked 10 lawn and garden categories, of which eight were purchased by more Americans in 1986 than the previous year. These were led by lawn care—including outdoor power equipment—which accounted for $4.32 billion in sales (an 11 percent gain), or more than 30 percent of all the retail lawn and garden volume in 1986.

But where households purchased this merchandise, and in what quantities, is revealing.

Thirty-six million households, or 52 percent of this survey's universe, shopped in a garden center last year and spent an annual average of $272 in all retail stores for lawn and garden merchandise. The number of shoppers frequenting these stores represented a 20 percent gain over 1985.

Hardware stores showed surprising strength as a place where consumers go for lawn and garden fare. Four in 10 households went to a hardware outlet for these products in 1986 and spent an average of $268 at all outlets.

Several other retailing outlets—from seed and feed stores to even supermarkets—drew more households for lawn and garden sales than did home improvement centers, which is remarkable given the industry-wide expansion of the category.

What's important to note, though, is who's shopping these home centers and the potential for future sales.

"Home centers are doing a very good job in marketing lawn and garden to upscale consumers," said Butterfield. "The people who are spending the most money on lawn and garden are the ones that home centers seem to be targeting."

Shrade Radke II, a marketing director for O.M. Scott & Co., the Marysville, Ohio, fertilizer supplier, agrees. "I'm surprised at the study's findings because home centers are the one of fastest-growing segments for us right now."

Indeed, the NGA study shows that the respondents identified as home center shoppers are basically the same groups that spending the most on lawn and garden merchandise. The showing of garden shops and hardware stores with these groups is spottier.

For example, households headed by college-educated, professional or business people spent more than the national average. And it was among these groups that home centers had their strongest representation in the study, stronger than hardware stores and slightly behind garden centers.

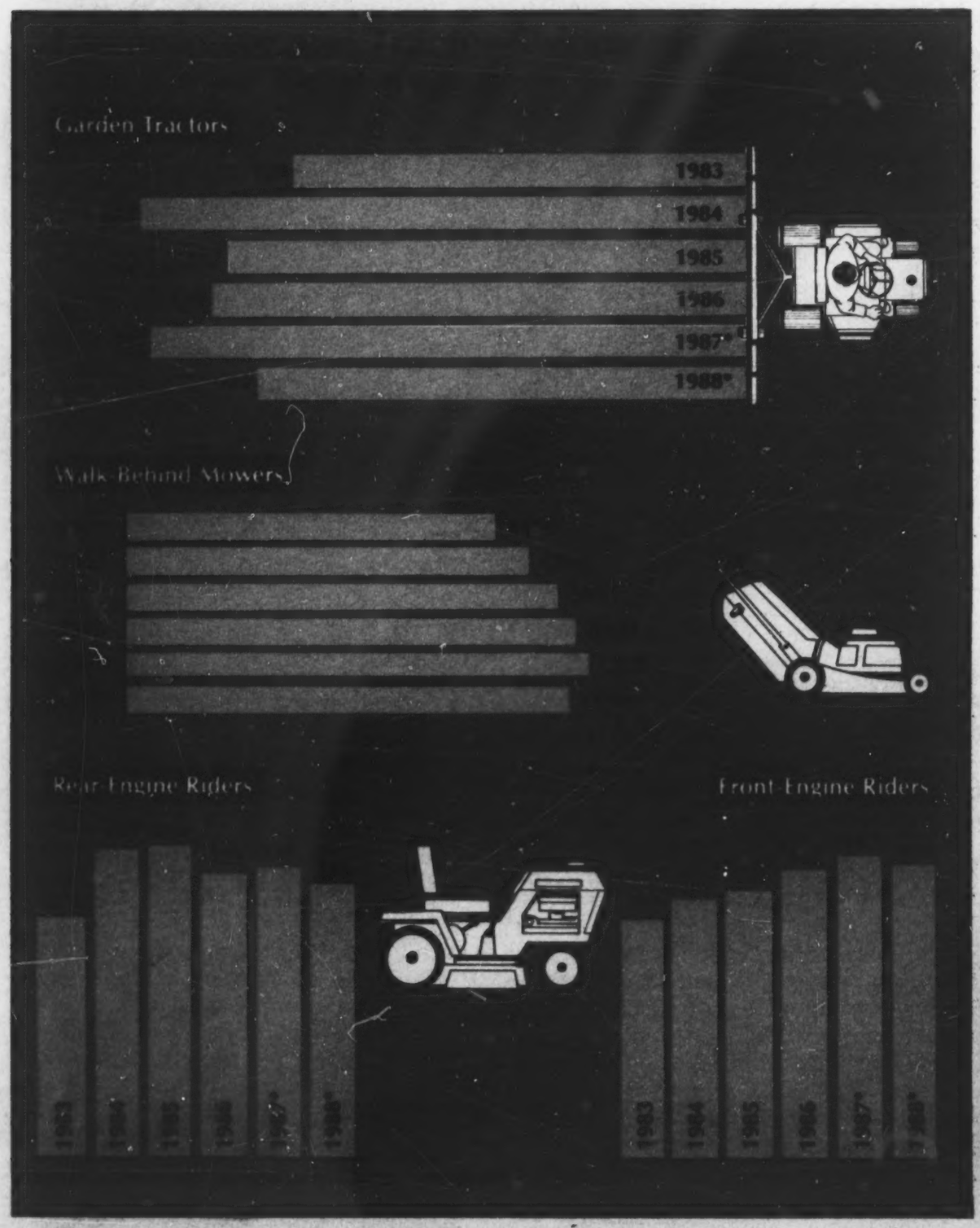
(Continued on page P4)

PROJECT SELL: THE GREAT BACKYARD

L&G customers spend big at home centers...
Chart shows average dollars spent in 1986 per customer on L&G products at various retail outlets

...But home centers don't draw many L&G customers
Chart shows number of households (in millions) shopping for L&G products at various retail outlets

Source: National Gardening Assoc. NHCN chart



The seeds of project selling

(Continued from page P2)

blocks, sand, concrete mix, marble chips, and pine bark mulch. If consumers bought every item in the ad, they would have spent between $300 and $325, according to Thompson, its buyer, and merchandise manager Bob Winegardener.

"We've always been project oriented, and what we're working on is to promote 'catalyst' products that bring together as many other products in the store as possible," Winegardener said.

However, size doesn't necessarily translate into project sales. Some products, like tools and chemicals with multiple skus, are difficult to incorporate into a project-oriented program.

"We went through this project phase around four years ago, and stopped because the sales per square foot didn't justify it," said Dennis Albert, vp-marketing and advertising for Builders Emporium, the 100-unit, Irvine, Calif.-based chain. "We look at lawn and garden strictly from a product standpoint."

Handy Andy's huge warehouse units in Milwaukee have 18,000-square-foot outdoor garden centers which have generated "unbelievable" customer traffic and sales, according to executive vp Bruce Barter. The stores feature deck displays on which lawn furniture, deck stain and even flowers are displayed.

"But I don't see lawn and garden as a project-oriented category," Barter said. "For instance, you can't sell a 'project' with fertilizer; you just stock it, price it with a rebate and sell it."

Jack Getzinger, co-owner of the four-store Yard King Warehouse specialty operation in Boca Raton, Fla., noted that the missing element in most home centers' lawn and garden departments is professional sales help.

"If you're looking at your nursery as a traffic builder, fine, you don't need good sales help," said Getzinger. "But if you're looking to build a business and reputation, and you want to get project sales, you have to make the commitment to personnel, which most home centers aren't doing."

Even Henry Bier, who is setting up Coast to Coast's new program, conceded that developing a project sheen to the surface of a lawn and garden department is difficult because "there really is no set way a consumer conducts this kind of project. Geography plays a big role in what you can sell and what projects can be done."

"I'm not sure that consumers expect our stores to have as broad an assortment as a garden center might have," noted the East Coast buyer. "But he does expect to find what he needs to complete any outdoor job. We've got to identify strengths and weaknesses."

Survey shows dealers are attracting the right buyers

(Continued from page P3)

(What's even more unexpected was home centers' strength with manual laborers, whose aggregate purchases accounted for $4.55 billion in retail lawn and garden sales, the most among all the occupational groups. Manual laborers' spending rate was only 82 percent of the national average; but home center shoppers in this group spent at the national level of 100.)

When the respondents were broken down region those living in New England, the South and the Pacific states spent the most—both in terms of per-customer sales and in aggregate retail transactions—last year.

Home center shoppers living in New England (where total lawn and garden sales rose 175 percent to $2.42 billion) spent 44 percent more than the national average; in the Pacific region, a market with an 11 percent growth in lawn and garden sales, home center shoppers bought the category at a rate 78 percent more than the average.

The pattern holds when household income is considered. The highest average ticket per customer—$273—was registered by households with incomes of $40,000 or more. Nationally, these households bought lawn and garden at a clip 63 percent higher than the national average. Home center shoppers at this income level purchased goods at a rate 44 percent above the national average.

The $30,000-to-$39,999 income households were also big spenders in the category, shelling out $221 per customer. Home center shoppers in this grouping spent 11 percent above the norm.

Home centers lag among certain demographic groups, though, particularly farmers and those shoppers in rural markets and with lower household incomes. Paradoxically, much of the expansion of this category in the industry has been in the South, yet home center shoppers living in this region spent at a rate only one-third the national average for these products.

It appears that home centers have successfully cultivated the more affluent sector of the home-owning society; now they need to go after the rest of the country to ensure continued growth.

FINANCIAL NEWS

Wholesalers move to cut expenses and fatten margins

By Phillip M. Perry
NHCN staff editor

Cut those operating costs.

Fatten those margins.

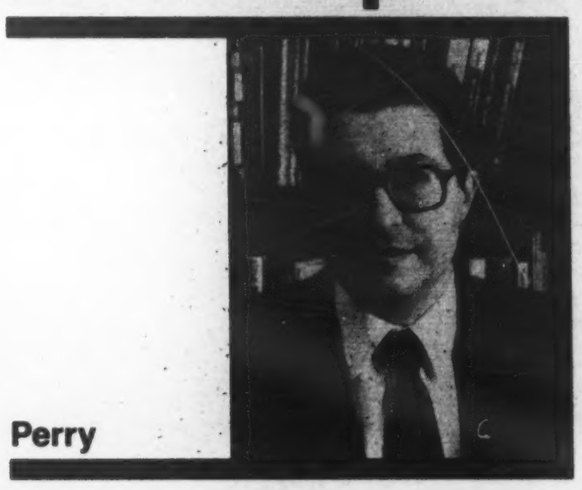
It sounds like the 1987 battle cry of the home center trade. But this time around it's in evidence at wholesalers. They are tackling some of the same market challenges as are their retail brethren.

Behind the Numbers

Financial reports from wholesalers so far this year show sporadic success in cutting costs and boosting margins. The key players in the field seem to feel more progress is ahead.

"Ten years ago there were a lot of smaller dealers responding to service," says John Anderson, chairman and president of Palmer G. Lewis, the Auburn, Wash.-based wholesaler.

With the number of such retailers declining, rules of the game have changed.



Perry

"All companies will have to refine their operations to run on a lower cost," he says. And he adds that fine tuning the merchandise in the warehouse to fatten gross margins is just as vital.

Jim Stanley, director of education for the National Building Material Distributors Association, says the majority of the association's 298 distributor members (which operate in 1,500 locations) are tackling both issues.

"We're definitely trying to reduce sg&a expense," says Steve Zepf, cfo of Hughes Supply. "Part of the reason is just the increasingly competitive nature of business, particularly here in Florida."

Anderson of Palmer G. Lewis says his intention is to get the sg&a as a percent of sales even lower than the 14.2 percent it is now. And that number is down from the 15.9 percent reported for the first quarter of 1986.

Stanline reported an sg&a of 10.0 percent, by far the lowest of the four companies. Roger Johnson, cfo, says the company has undergone a cost cutting program in recent years.

Moore-Handley says an effort is underway to cut warehouse, delivery, and selling expenses as a percentage of revenues.

Wholesalers are tackling the same high insurance costs as are retailers. Hughes Supply figures health, vehicle, and general liability insurance cost it 15 cents a share last year. Stanline is seeing an eight to 10 percent increase in insurance premiums for its current fiscal year.

And at Moore-Handley, chairman William Riley reported that insurance costs rose "drastically" this year and last.

Wholesaler Net Margins

Company	1Q '87	1Q '86
Hughes Supply	2.0%	1.8%
Moore-Handley	1.5	1.7
Palmer G. Lewis	0.6	0.2
Stanline	3.0	2.6

Source: Company reports — *NHCN* chart

Negotiating with insurance carriers to get more bang (in terms of benefits) for the increased buck (in premiums) is one way wholesalers are approaching the problem.

But there are other approaches. "We try to show insurance companies we are fostering safety with training seminars in the warehouse for equipment and handling personnel," says Johnson of Stanline.

The greater market pressures that have affected retailers have had a corresponding effect on the wholesalers that serve them. Some players seem to have taken steps to fine tune their merchandise mix to respond to the pressure with higher margin items. Others still face the task.

Hughes Supply increased its gross margin to 20.4 percent for this year's first quarter, from 18.9 percent for the first quarter last year. That was a compelling force driving its net margin from 1.8 percent for the first quarter of 1986 to 2.0 percent for this year's opening quarter. Stanline, too, reported better gross margins this year to bolster net margins to 3.0 percent from 2.6 percent last year.

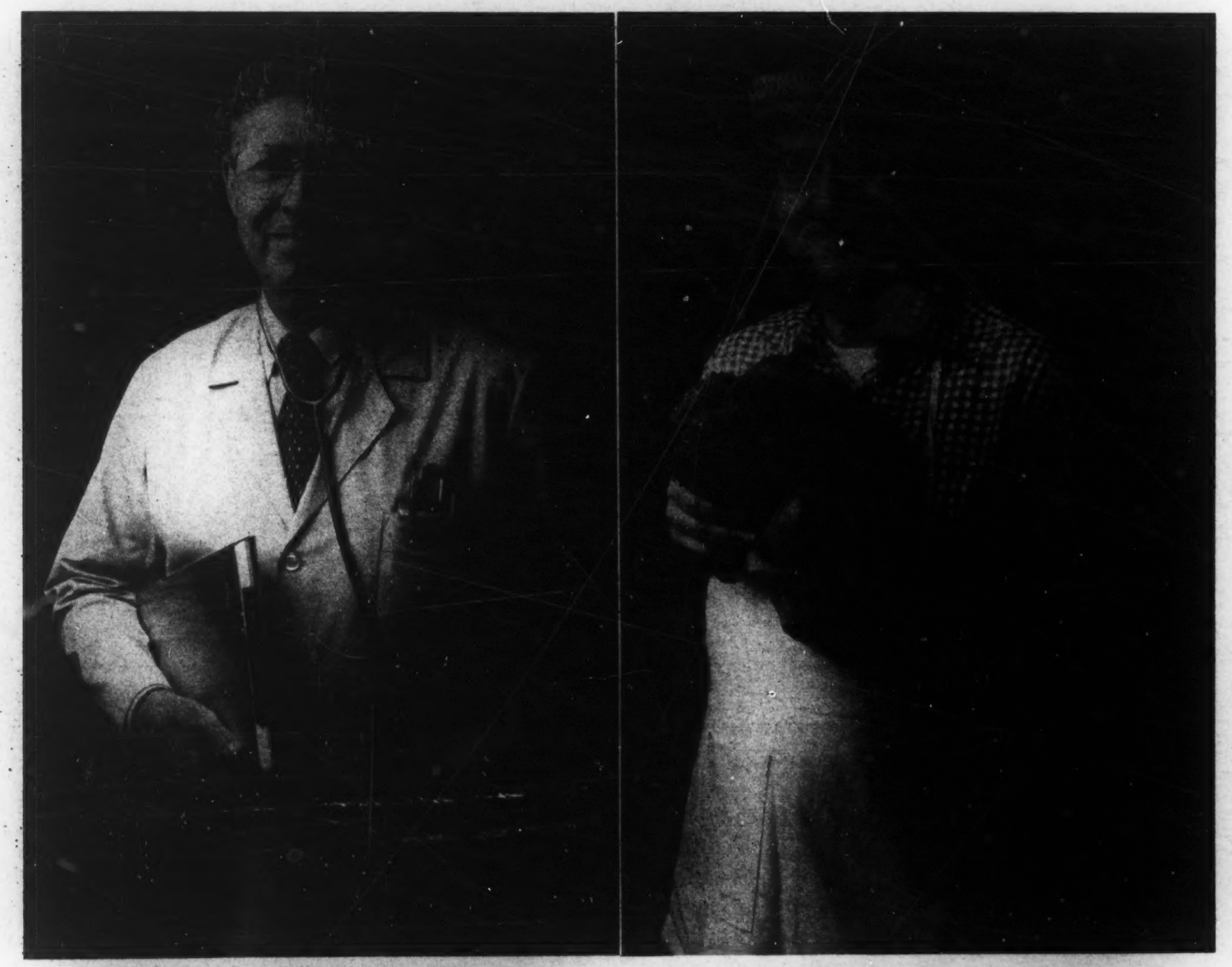
On the other hand, Palmer G. Lewis reported an average gross margin of 16.7 percent for the last quarter—well below the 20 percent or so average for the firms.

"Other companies are doing what we're trying to do," explains Anderson. That means either getting out of some of the commodity items, or adding some higher margin specialty items.

* * * * *

The bottom line—Some 29 percent of consumers described business conditions as "good" in June. That's up from 22 percent the month before, according to the Conference Board, New York.

This space contributed as a public service.



FOR THE BEST DEFENSE AGAINST CANCER, SEE HIM ONCE A YEAR.

AND HIM ONCE A WEEK.

He may not look like everybody's idea of a cancer specialist.

But there's strong evidence that your greengrocer has access to cancer protection you won't find in any doctor's office.

Like broccoli. Peaches. Canteloupes. Spinach. And other sources of Vitamin A related to lowering the risk of cancer of the larynx and esophagus. Not to mention sweet potatoes, carrots, pumpkin, winter squash, tomatoes, citrus fruits and brussels sprouts.

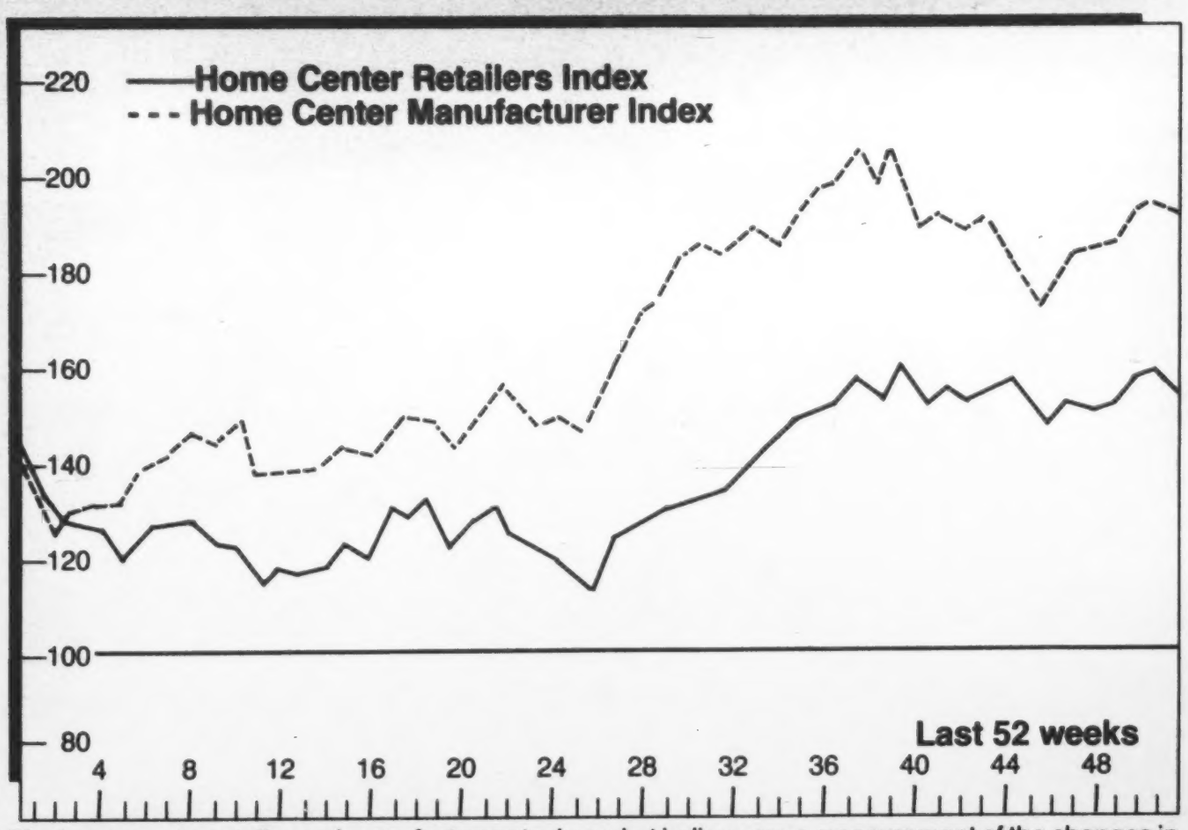
Vegetables such as cabbage, broccoli, brussels sprouts, kohlrabi and cauliflower may help reduce the risk of gastrointestinal and respiratory tract cancer.

Fruits and vegetables (and whole grain cereals such as oatmeal, bran and wheat) may help lower the risk of colorectal cancer.

In short, make sure you do what your mother always told you to do. Eat your vegetables.

AMERICAN CANCER SOCIETY

FINANCIAL NEWS

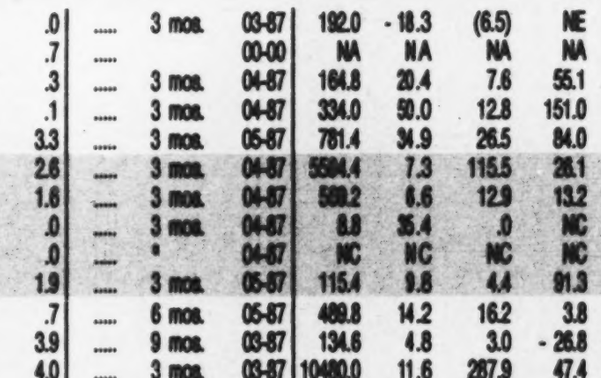


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on July 10, 1987, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
7-10-87	(100)	%	%
Am Consum Prods ..... M	3,540	573.6	16.7
Pay n Pak ..... N	48,734	554.0	- .6
Clairson Intl ..... M	6,678	451.3	- 1.6
Newell Co ..... N	4,764	320.2	5.1
Certain-teed ..... N	5,024	278.6	4.6
Stanley Inc ..... M	1,128	267.4	8.9
Grossman's Inc ..... M	2,906	262.5	- 6.7
Std Brd Prt ..... N	5,681	210.4	7.4
Zayre Corp ..... N	75,021	195.1	11.2
PPG Inds ..... N	38,178	156.0	1.8

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 7-10	2-Week Price Change	Total 2-Week Volume
7-10-87	$	%	(100)
Am Consum Prods ..... M	12.25	16.7	3,540
Cmns Corn ..... N	26.75	14.4	31,318
Zayre Corp ..... N	31.13	11.2	75,021
Stanley Inc ..... M	12.25	8.9	1,128
Am Standard ..... N	45.75	8.9	6,852
Std Brd Prt ..... N	25.38	7.4	5,681
Triangle Ind ..... N	38.63	6.9	9,986
Macmillan Bloedel ..... M	20.75	6.4	8,676
Inalco Corp ..... N	24.00	5.5	5,882
Newell Co ..... N	38.50	5.1	4,764
Losers	$	%	(100)
USG Corp ..... N	33.63	- 9.4	11,099
Grossman's Inc ..... M	8.75	- 6.7	2,906
Georgia-Pacific ..... N	43.13	- 6.5	31,385
La Pacific ..... N	29.75	- 6.3	11,150
Moore Handley ..... M	8.00	- 5.9	539
Potlatch Cp ..... N	31.50	- 5.6	4,494
Hechinger A ..... M	22.00	- 5.4	5,287
Hechinger B ..... M	22.25	- 5.3	440
Payless Cash ..... N	22.50	- 5.3	15,909
Nat'l Hardgoods ..... M	7.25	- 4.9	140

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 7-10-87	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Grossman's Inc ..... M	8.75	- .63	- 6.7	9.50	8.75	11.25	6.75	2,906	1.45	.40	262.5	NE	.00	.0	.....	3 mos.	03-87	192.0	- 18.3	(6.5)	NE	(.32)	NE	192.0	- 18.3	(6.5)	NE	(.32)	NE
Hechinger A ..... M	22.00	- 1.25	- 5.4	22.75	22.00	24.25	16.00	5,287	4.84	2.90	66.9	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	22.25	- 1.25	- 5.3	23.25	22.00	24.75	16.25	440	.27	.38	- 28.9	22.3	.06	.3	.....	3 mos.	04-87	164.8	20.4	7.6	55.1	.24	50.0	164.8	20.4	7.6	55.1	.24	50.0
Home Depot ..... N	33.00	- .75	- 2.2	34.38	32.50	37.00	15.88	11,092	3.99	2.88	38.5	29.2	.02	.1	.....	3 mos.	04-87	334.0	50.0	12.8	151.0	.43	115.0	334.0	50.0	12.8	151.0	.43	115.0
INTERCO Inc ..... N	49.00	2.38	5.1	49.50	44.50	49.50	36.63	9,117	3.19	2.26	41.2	14.9	1.60	3.3	.....	3 mos.	05-87	761.4	34.9	26.5	84.0	.82	34.8	761.4	34.9	26.5	84.0	.82	34.8
K mart Cp ..... N	44.13	.75	1.7	45.25	42.00	45.34	28.84	40,830	2.04	1.56	30.8	14.3	1.16	2.6	.....	3 mos.	04-87	5594.4	7.3	115.5	28.1	.57	21.3	5594.4	7.3	115.5	28.1	.57	21.3
Lowe's Cos ..... N	26.88	- .50	- 1.8	27.88	26.75	33.13	22.50	6,758	1.71	1.45	17.9	18.8	.44	1.8	.....	3 mos.	04-87	569.2	6.6	12.9	13.2	.33	6.5	569.2	6.6	12.9	13.2	.33	6.5
Nat'l Hardgoods ..... M	7.25	- .38	- 4.9	8.00	7.13	10.00	6.88	140	1.14	1.00	14.0	10.4	.00a	.0	.....	3 mos.	04-87	8.8	35.4	.0	NC	.03	.0	8.8	35.4	.0	NC	.03	.0
Nat'l Lumber ..... M	5.00	.00	.0	5.50	5.00	7.50	4.00	318	.56	.43	30.2	NE	.00	.0	.....	*	04-87	NC	NC	NC	NC	NC	NC	38.2	NC	.1	NC	.01	NC
Pay n Pak ..... N	20.75	- .13	- .6	21.50	20.75	21.50	9.50	48,734	48.72	7.45	554.0	26.6	.40	1.9	.....	3 mos.	05-87	115.4	9.8	4.4	91.3	.44	91.3	115.4	9.8	4.4	91.3	.44	91.3
Payless Cash ..... N	22.50	- 1.25	- 5.3	24.00	21.88	26.88	15.88	15,909	4.59	1.92	139.1	17.7	.16	.7	.....	6 mos.	05-87	469.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc ..... N	13.50	- .25	- 1.8	14.25	13.38	16.50	12.00	923	.64	.59	8.5	18.2	.52	3.9	.....	9 mos.	03-87	134.6	4.8	3.0	- 26.8	.21	- 25.0	378.9	5.5	7.0	- 27.8	.48	- 28.4
Sears, Roebuck ..... N	50.25	- 1.63	- 3.1	51.88	50.00	56.00	39.00	63,756	1.71	1.11	54.1	13.1	2.00	4.0	.....	3 mos.	03-87	10480.0	11.6	287.9	47.4	.75	44.2	10480.0	11.6	287.9	47.4	.75	44.2
Std Brd Prt ..... N	25.38	1.75	7.4	26.13	23.00	27.00	19.38	5,681	5.06	1.63	210.4	19.1	.60	2.4	.....	fiscal	01-87	73.7	2.9	2.7	68.8	.24	71.4	326.6	- 3.4	15.0	- 5.1	1.33	- 5.0
Strober Organiz ..... M	12.00	- .38	- 3.0	12.50	12.00	15.25	10.50	523	.87	.74	17.6	12.0	.00	.0	.....	3 mos.	03-87	21.3	19.0	1.0	42.9	.17	21.4	21.3	19.0	1.0	42.9	.17	21.4
Superior Gas ..... N	40.13	.63	1.6	40.25	39.25	46.75	22.50	7,731	2.01	4.80	- 58.1	26.2	.28	.7	.....	3 mos.	04-87	1401.1	4.8	10.4	- 15.4	.27	- 20.6	1401.1	4.8	10.4	- 15.4	.27	- 20.6
Wickes Cos ..... A	4.38	- .13	- 2.8	4.50	4.00	5.88	3.13	47,006	1.98	1.89	4.8	7.3	.00	.0	.....	3 mos.	04-87	1540.4	54.8	82.7	426.8	.34	1600.0	1540.4	54.8	82.7	426.8	.34	1600.0
Weldon Lumber ..... M	14.38	- .38	- 2.5	14.63	14.38	15.00	7.50	1,158	1.98	1.41	40.4	13.1	.20	1.4	.....	3 mos.	03-87	41.0	45.9	1.0	NE	.18	NE	41.0	45.9	1.0	NE	.18	NE
Zayre Corp ..... N	31.13	3.13	11.2	31.63	27.25	39.00	20.75	75,021	12.72	4.31	195.1	19.1	.40	1.3	.....	3 mos.	04-87	1295.8	24.1	21.0	25.7	.36	28.6	1295.8	24.1	21.0	25.7	.36	28.6
Wholesalers																													
Hughes Supply ..... N	27.88	1.25	4.7	27.88	26.50	28.38	20.63	438	1.33	.97	37.1	13.0	.40	1.4	.....	3 mos.	04-87	95.8	9.6	2.0	25.0	.58	9.4	95.8	9.6	2.0	25.0	.58	9.4
Moore Handley ..... M	8.00	- .50	- 5.9	8.75	8.00	15.75	6.75	539	2.15	1.43	50.3	17.8	.00	.0	.....	3 mos.	03-87	23.6	15.7	.3	.0	.14	- 30.0	23.6	15.7	.3	.0	.14	- 30.0
Lewis Palmer ..... M	8.63	- .13	- 1.4	8.75	8.38	9.88	7.25	1,128	2.82	1.55	81.9	21.6	.28	3.2	.....	3 mos.	04-87	52.9	56.5	.3	200.0	.09	350.0	52.9	56.5	.3	200.0	.09	350.0
Stanley Inc ..... M	12.25	1.00	8.9	13.50	11.50	13.50	7.84	1,128	6.65	1.81	267.4	11.6	.32b	2.6	.....	6 mos.	04-87	17.3	23.6	.6	100.0	.30	42.9	31.3	14.2	.9	50.0	.50	38.9
Manufacturers																													
Am Consum Prods ..... M	12.25	1.75	16.7	12.50	10.50	12.25	8.50	3,540	18.39	2.73	573.6	18.6	.00	.0	.....	3 mos.	03-87	9.2	16.5	.3	NC	.14	600.0	9.2	16.5	.3	NC	.14	600.0
Am Standard ..... N	45.75	3.75	8.9	46.63	41.63	51.88	36.00	6,852	2.06	.87	136.8	9.9	1.80	3.9	.....	3 mos.	03-87	779.7	15.3	21.6	- 57.0	.85	- 50.0	779.7	15.3	21.6	- 57.0	.85	- 50.0
Am Woodmark ..... M	15.00	.13	.8	15.25	14.88	17.13	10.00	752	1.09	.49	122.4	14.9	.00	.0	.....	fiscal	04-87	29.3	20.1	1.5	25.0	.22	- 4.3	115.8	18.9	6.8	51.1	1.01	12.2
Armstrong Wrld ..... N	35.75	- .50	- 1.3	36.63	36.00	44.00	24.88	13,375	2.81	1.41	99.3	13.5	.90	2.4	.....	3 mos.	03-87	541.1	25.6	31.9	39.3	.67	38.6	541.1	25.6	31.9	39.3	.67	38.6
Black & Decker ..... N	24.63	1.13	4.8	24.88	22.88	24.88	14.50	24,719	4.25	3.03	40.3	41.0	.40	1.6	.....	6 mos.	03-87	438.7	5.7	9.2	475.0	.16	700.0	967.7	3.3	31.6	40.4	.54	25.6
Boise Cascade ..... N	72.00	- 2.75	- 3.7	75.25	71.50	86.88	51.50	7,358	2.52	2.36	6.8	18.9	1.90	2.6	.....	3 mos.	03-87	912.2	.4	40.2	60.8	1.31	57.8	912.2	.4	40.2	60.8	1.31	57.8
Certain-teed ..... N	42.88	1.88	4.6	42.88	41.25	42.88	24.63	5,024	2.65	.70	278.6	13.3	1.00	2.3	.....	3 mos.	03-87	266.8	4.6	14.5	38.1	.77	37.5	266.8	4.6	14.5	38.1	.77	37.5
Champ Intl ..... N	36.00	- 1.38	- 3.7	37.38	35.50	43.50	22.50	22,458	2.39	2.27	5.3	14.6	.84	1.8	.....	3 mos.	03-87	1097.2	- 2.2	55.5	152.3	.59	195.0	1097.2	- 2.2	55.5	152.3	.59	195.0
Clairson Intl ..... M	15.75	- .25	- 1.6	16.50	15.75	18.25	10.25	6,678	13.12	2.38	451.3	32.8	.00	.0	.....	6 mos.	03-87	18.9	33.1	.8	60.0	.17	30.8	35.2	23.9	1.0	11.1	.22	- 12.0
Cooper Indus ..... N	62.50	1.88	3.1	64.25	58.88	64.25	35.63	14,792	3.06	1.32	131.8	20.4	1.68	2.7	.....	3 mos.	03-87	800.5	- 7.6	27.6	7.0	.56	5.7	800.5	- 7.6	27.6	7.0	.56	5.7
Dallas Inc ..... N	38.63	.13	.3	39.63	38.25	43.75	34.25	713	1.80	.81	122.2	46.6	1.40	3.5	.....	3 mos.	03-87	90.3	- 6.7	2.2	- 8.3	.54	5.9	90.3	- 6.7	2.2	- 8.3	.54	5.9
Eckert Corp ..... N	45.38	.13	.3	45.63	44.63	45.75	30.75	4,100	1.32	.71	85.9	NE	1.40	3.1	.....	3 mos.	03-87	602.6	18.2	28.0	46.6	.90	32.4	602.6	18.2	28.0	46.6	.90	32.4
Georgia-Pacific ..... N	43.13	- 3.00	- 6.5	46.00	42.63	52.75	28.00	31,385	2.92	2.25	29.8	13.7	1.00	2.3	.....	3 mos.	03-87	1855.0	15.6	80.0	166.7	.71	184.0	1855.0	15.6	80.0	166.7	.71	184.0
Inalco Corp ..... N	24.88	1.25	5.5	24.25	22.50	26.25	17.38	5,882	2.83	1.11	155.0	14.7	1.00b	4.2	.....	3 mos.	03-87	175.7	- 2.6	7.8	14.7	.37	15.6	175.7	- 2.6	7.8	14.7	.37	15.6
La Pacific ..... N	29.75	- 2.00	- 6.3	32.00	28.75	39.63	22.00	11,150	2.94	1.86	58.1	13.8	.80b	2.7	.....	3 mos.	03-87	422.9	31.1	16.3	1084.3	.43	975.0	422.9	31.1	16.3	1084.3	.43	975.0
Macmillan Bloedel ..... M	20.75	1.25	6.4	21.38	20.00	22.38	8.44	8,676	.85	.95	- 10.5	NA	.42	NA	.....	3 mos.	03-87	719.4	17.3	60.4	106.8	.54	134.8	719.4	17.3	60.4	106.8	.54	134.8
Manville Cp ..... N	3.75	- .13	- 3.2	3.88	3.63	5.38	1.63	8,231	3.43	4.40	- 22.0	1.0	.00	.0	.....	3 mos.	03-87	475.0	4.3	42.9	257.5	1.52	533.3	475.0	4.3	42.9	257.5	1.52	533.3
Masco Corp ..... N	34.88	.25	.7	36.38	33.38	40.88	23.50	21,865	1.69	.90	87.8	21.4	.40	1.1	.....	3 mos.	03-87	450.0	46.1	55.5	23.1	.42	20.0	450.0	46.1	55.5	23.1	.42	20.0
Mor-Flo Inds ..... M	11.75	.00	.0	12.25	11.50	16.25	11.50	99	.40	.59	- 32.2	40.5	.01	.1	.....	3 mos.	03-87	55.5	5.9	.6	- 14.3	.25	- 10.7	55.5	5.9	.6	- 14.3	.25	- 10.7
Newell Co ..... N	38.50	1.88	5.1	39.00	35.75	39.75	24.00	4,764	4.16	.99	320.2	17.2	.84	2.2	.....	3 mos.	03-87	101.3	7.2	6.1	48.8	.51	15.9	101.3	7.2	6.1	48.8	.51	15.9
Nortek Inc ..... N	14.13	- .13	- .9	14.25	13.63	17.38	11.75	2,467	1.51	.85	77.6	6.5	.10	.7	.....	3 mos.	03-87	290.4	77.7	9.2	- 5.2	.57	- 40.0	290.4	77.7	9.2	- 5.2	.57	- 40.0
Owens Corn ..... N	26.75	3.38	14.4	26.75	22.63	32.38	8.88	31,318	8.36	3.56	134.8	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem ..... A	15.88	- .50	- 3.1	16.75	15.88	18.13	10.00	1,295	1.61	.91	76.9	16.7	.12	.8	.....	3 mos.	03-87	70.6	38.5	3.3	65.0	.29	11.5	70.6	38.5	3.3	65.0	.29	11.5
Pope & Talbot ..... N	21.00	.00	.0	22.00	20.63	24.50	8.88	1,971	1.64	1.38	18.8	10.9	.44	2.1	.....	3 mos.	03-87	100.3	35.4	6.7	NE	.55	NE	100.3	35.4	6.7	NE	.55	NE
Potlatch Cp ..... N	31.50	- 1.88	- 5.6	33.75	30.50	41.88	24.25	4,494	1.69	1.41	19.9	11.9	.84	2.7	.....	3 mos.	03-87	248.6	6.6	17.8	30.9	.63	31.3	248.6	6.6	17.8	30.9	.63	31.3
PPG Inds ..... N	49.38	.88	1.8	51.25	45.50	53.50	29.63	38,178	3.20	1.25	156.0	17.6	1.08	2.2	.....	3 mos.	03-87	1260.8	10.9	86.9	25.6	.73	23.7	1260.8	10.9	86.9	25.6	.73	23.7
Sherwin-Wms ..... N	34.75	- 1.00	- 2.8	35.50	34.25	38.50	22.75	7,128	1.58	.82	92.7	14.9	.56	1.6	.....	3 mos.	03-87	380.5	14.5	8.2	18.8	.18	20.0	380.5	14.5	8.2	18.8	.18	20.0
Stanley Works ..... N	33.63	- .63	- 1.8	35.75	33.38	35.88	23.19	2,982	.70	.58	20.7	17.2	.76	2.3	.....	3 mos.	03-87	416.8	28.6	19.2	30.6	.44	25.7	416.8	28.6	19.2	30.6	.44	25.7
Thos Inds ..... N	19.88	.25	1.3	20.13	19.50	22.63	15.50	767	.77	.38	102.6	14.8	.68b	3.4	.....	3 mos.	03-87	78.7	11.2	3.8	18.8	.38	15.2	78.7	11.2	3.8	18.8	.38	15.2
Triangle Ind ..... N	38.63	2.50	6.9	39.38	35.50	39.75	21.50	9,986	5.86	2.35	149.4	14.5	.12	.3	.....	3 mos.	03-87	912.2	88.5	6.3	96.9	.20	100.0	912.2	88.5	6.3	96.9	.20	100.0
Union Camp ..... N	43.13	1.25	3.0	43.13	40.75	46.19	28.84	13,113	1.78	1.47	21.1	20.8	1.16	2.7	.....	3 mos.	03-87	537.0	8.5	44.2	100.9	.80	166.0	537.0	8.5	44.2	100.9	.80	166.0
USG Corp ..... N	33.63	- 3.50	- 9.4	37.00	33.13	46.88	31.00	11,099	2.12	1.03	105.8	7.7	1.12	3.3	.....	3 mos.	03-87	663.2	11.4	85.0	64.4	1.85	160.7	663.2	11.4	85.0	64.4	1.85	160.7
Walter, Jim ..... N	58.38	.25	.5	58.38	51.00	62.25	40.38	8,000	2.58	1.85	53.3	12.2	1.40	2.6	.....	9 mos.	05-87	610.4	- 2.6	48.7	21.3	.74	- 54.3	1718.8	.8	112.6	27.2	2.77	- 8.9
Western Ind ..... M	10.00	- .25	- 2.4	10.25	10.00	13.25	6.94	249	.36	.51	- 37.7	21.3	.08	.8	.....	9 mos.	03-87	NC	NC	(.9)	- 100.0	(.10)	- 100.0	30.9	- 55.9	1.0	- 44.4	.15	- 74.1
Weyerhaeuser ..... N	46.63	- 2.25	- 4.6	51.00	47.88	69.00	30.50	44,991	3.30	1.88	85.3	20.7	1.20	2.7	.....	3 mos.	03-87	1917.3	23.8	101.9	103.8	.75	141.9	1917.3	23.8	101.9	103.8	.75	141.9

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Latest 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share
Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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National Home Center News®

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Payless, bank may settle $600 million credit suit

By Gary S. Ruderman
NHCN staff editor

KANSAS CITY, Mo. — A meeting planned for later this month between Payless Cashways and Mercantile Bank, St. Louis, could pave the way to an out-of-court settlement in a $600 million lawsuit filed by Payless against the bank.

In its suit filed June 10, Payless charges breach of contract and four other counts because, Payless alleged, Mercantile made changes in administering Payless' private-label charge card, which last year accounted for 12 percent of the retailer's $1.5 billion in sales.

To halt the changes deemed detrimental to its customers,

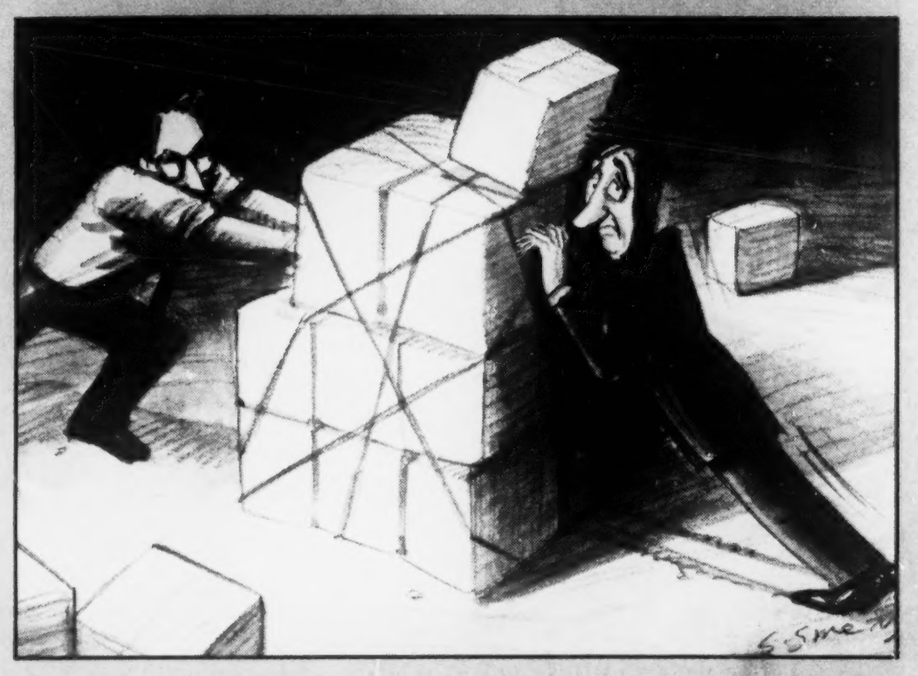
(Continued on page 217)

Buybacks cause strain in dealer-vendor relations

By John Caulfield
NHCN staff editor

NATIONAL REPORTS — "When you have a lot of crap on your shelves that you can't get rid of, then the buyback by the new vendor is in order," notes John Breedlove, senior vp-merchandising for the 190-store Payless Cashways, Kansas City, Mo.

The president of one of the industry's largest plumbing suppliers views buybacks differently: "A lot of times, the practice is unethical because the big vendors are getting their merchandise into stores not on the merits of the product but on their ability to absorb the cost of the buyback."



"There is nothing socially redeeming about buybacks, and I have yet to see a case where it created *more* sales for the dealer," added the vp-sales for another plumbing supplier. "Home center dealers don't have a system for phasing merchandise in and out of their stores and are being practical, but where's the ultimate benefit?"

Buybacks—the practice of a supplier purchasing another vendor's merchandise to get his company's product into a retail store—are the bargaining chip on which vendor-dealer negotiations often hinge.

However, several vendors and even some dealers are beginning to question whether the pendulum has swung too far and whether buybacks are eroding vendor-dealer relations too deeply. "There are no guarantees of an ultimate payoff," said the national sales manager for a major adhesives and sealants supplier. "And manufacturers are assuming all the risks in this."

(Continued on page 200)

FTC ruling could stall co-op money distribution

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — Home centers wheeling and dealing for favorable co-op advertising terms this season may be in for a shock.

Because of a ruling from the Federal Trade Commission, manufacturers may now withhold co-op rebates to retailers who advertise discounts on items that have suggested retail prices.

The ruling from the FTC reverses a long-standing policy that manufacturers may not design co-op advertising programs that discriminate in terms of advertised prices.

While vendors haven't yet announced rebate programs with terms tied to discount pricing, many industry observers feel the bad news will come this fall, the time of year when details of the following year's co-op programs are often released.

Home centers expressed dismay at the FTC ruling, with many calling it tantamount to "retail price maintenance."

(Continued on page 218)

High insurance rates level off but retailers still feeling effects

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — The insurance crisis that precipitated inflated premiums two years ago has ended, but some lumber and building material dealers insist that commercial, fire and casualty rates, although lower, are still too high.

"I think rates have topped out," said Don Panell, president of Home Aid Lumber Co., Prague, Okla., who operated his company for four years without fire insurance because he couldn't afford it, "and they may have started down, but these rates are still much too high.

"When insurance salesmen come through here, I don't let them analyze my yard. I just tell them, 'Don't sell me what I need, sell me what I can pay for.' "

Charles Potuzak, whose fire insurance carrier cancelled his company's policy with six months remaining when fire destroyed the main yard of the Wheat Ridge Lumber Co. in Denver, agreed that rates are still financially draining.

"It's not a buyers' market out there yet," Potuzak said. "It's true that rates have stopped going up, but they are not coming down either."

Despite the lumbermen's view, insurance executives insist that the worst is over and that rates, although not decreasing, are far from the 300 percent and 1,000 percent annual increases that were levied between 1984 and 1985.

These executives report that the high premium rates have allowed companies to restore their profitability and to replenish their reserve funds, which are used to satisfy claims. As both financial goals have been reached, insurers have been less pressured to pursue high premiums.

Harvey Seymour, a spokesperson for the Insurance Information Institute (III), an insurance industry think-tank

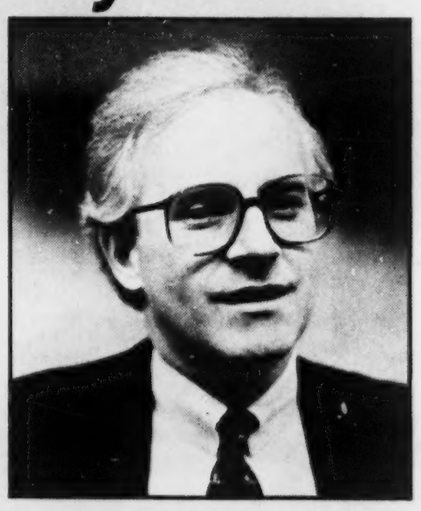
(Continued on page 194)

Busy Beaver mgmt. plans to buy firm

By an NHCN staff editor

PITTSBURGH — The management of Busy Beaver Building Centers has reached an agreement to purchase the company from its parent, Dixons Group, of London.

"We are now working with Dixons to move to a formal agreement," noted Tom Herward, vp marketing and merchandising at Busy Beaver. The company operates 14 retail units in western Pennsylvania, eastern Ohio and Buffalo, N.Y.



Tom Herward

"The intention is that Busy Beaver will be a privately owned company," added Herward, respond-

(Continued on page 218)

INSIDE

Wave of manufacturer consolidation promises retailers one-stop shopping 29

The changing role of the home center buyer 135
Dealers try to keep pace with RTA 146

NEWSBREAKS

ANDERSONS SLATE 4TH HYPERMARKET: The Andersons will open a 135,000-square-foot combination home center and food specialty store Sept. 1 in Worthington, Ohio.

MR. GOODBUYS TO DELAWARE: Mr. Goodbuys chain, will move into the Delaware market for the first time with a store in Wilmington by early 1988. The 13-unit chain plans a total of five store openings by then, including two stores in Long Island, one in Woodbridge, N.J., and a replacement store in Baltimore.

INDUSTRY UPDATE

Wickes to list stock on NYSE

SANTA MONICA, Calif. — Wickes Cos. said it had reached an agreement to list its stock on the New York Stock Exchange beginning Aug. 12, one day after the stock would cease trading on the American Stock Exchange.

The switch of exchanges is to occur concurrently with a 1-for-5 reverse stock split which was approved earlier by shareholders. (*NHCN*, July 13.)

Farrah made SportsClub pres.

LOS ANGELES — Pat Farrah, one of the original founders of The Home Depot, has returned to another warehouse retailing concept.

Last month, Farrah was appointed president and a board member of All American SportsClub, the sporting goods warehouse chain founded by former HomeClub president Bob McNulty.

SportsClub operates seven 60,000-square-foot warehouse stores containing 12,000 skus.

"After 25 years, lumber and building materials began to wear on me," Farrah said, speaking of his career in that field. "But this is a fresh and exciting product mix, even though there are some tremendous parallels."

Masco buys 3 furniture cos.

By an NHCN staff editor

DETROIT — Masco Corp., a diversified maker of home furnishings, has agreed to purchase three furniture companies with combined sales of $200 million.

The companies to be acquired by the $1.5 billion company are Lexington Furniture Industries, Lexington, N.C.; Maitland-Smith Ltd., Hong Kong; and Marge Carson Inc., Los Angeles.

Masco did not disclose the amount paid but said the acquisitions would be made in cash and stock.

The announcement, made on July 28, was the latest in an ongoing program. Masco is the parent company of well-known firms like Weiser Lock, Peerless, Delta and Merillat cabinets. The latest acquisition promises to further the firm's inroads into the retailing scene.

Its acquisitions, it appears, are part of a great wave of industry consolidation that promises to change the way home centers buy merchandise.

One order...one shipment...one invoice...this is the promise of a manufacturing industry hoping to satisfy the retailer dream of product diversification and single sourcing.

For an in-depth look at manufacturer consolidation, see the special section starting on page 29 of this issue.

Central Hardware profits rise

ST. LOUIS — INTERCO, the parent company of Central Hardware, reported a 15 percent rise in first quarter sales in its General Retail Merchandising Group when compared to the same reporting period last year.

"The do-it-yourself, home improvement segment led this group's profitability growth," said the firm in a prepared statement.

Sales for the segment were $148.1 million, compared to $129.1 million during the same operating period last year. Earnings grew from $11 million in first quarter 1986 to $14 million this year.

Sales for Interco as a whole reached $781.4 million for the quarter that ended May 31, up from $659.7 million for the same period in 1986.

Takeover bids affect stocks

NEW YORK — Takeover bids led the way toward double-digit increases in the values of stocks for Jim Walter (which was up 37 percent) and Standard Brands Paint (which was up 14.3 percent), for the two-week period ended July 24.

For the broad group of home center stocks tracked by *NHCN*, 27 increased in price, 26 dropped and five remained unchanged.

Hechinger A advanced 9.1 percent to $24.00.

Scotty's increased 5.6 percent to $14.25.

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Grossman's will use offering proceeds to buy back debentures

By an NHCN staff editor

BRAINTREE, Mass. — An offering of 11 million shares of Grossman's Inc. was expected to be completed by July 31, and the company plans to use the proceeds from its portion of the sale to buy back outstanding debentures.

The debentures were issued at 13% and 14% as part of the bankruptcy reorganization of Evans Products. Evans was Grossman's corporate parent. By buying the debentures, Grossman's will be paying out less and can use the cash saved for other purposes.

Some 6,131,347 shares are being offered by Grossman's. Another 4,868,653 shares are being offered by creditors who received the stock as part of the Evans' reorganization.

The creditors' stock is part of 15 million shares that were issued under the reorganization plan. Those shares must be publicly offered before they can be traded.

Some 5 million shares, issued to Evans' trade creditors have been trading since they were issued.

Shearson Lehman Brothers Inc., the selling agent for the offering, priced the shares at $8 each. On July 23, they were trading through Nasdaq at $8.75. If all the shares are sold, Grossman's will have 25 million shares outstanding.

Shearson is selling the shares on a best-effort basis, which means Grossman's will not receive the money from the sale until all the shares are sold.

In most offerings, the offering broker pays the company for the shares and then sells them.

But a spokesman for Shearson said such an arrangement could be construed as a major change in the ownership of the company, because for a period of time Shearson could be seen as the owner of the shares.

Under Internal Revenue Service regulations, that could limit Grossman's ability to apply its net operating loss tax loss carry foward, he said.

Ace gmm, Steve Hoag, resigns after 15 years

By an NHCN staff editor

OAK BROOK, Ill. — Steve Hoag, general merchandise manager of Ace Hardware Corp. for the last 16 months, resigned last month, citing "management differences and styles."

Hoag, 51, an Ace employee for 15 years, came from an Ace background at his family's south side Chicago store. He resigned his post July 15.

Frank Szymanek, Ace vp of merchandising and advertising and Hoag's superior, said at the end of July that no moves had been made to fill the gmm position, which involves responsibility for the day-to-day operations of Ace merchandising and the supervision of six managers. Szymanek said the resignation was over "philosophy problems."

Hoag said there were no "serious" disagreements between himself and Szymanek, but, "There were restrictions under which I had to work" that precipitated the resignation.

"I'm a company person and I accept management decisions, but that doesn't mean I agree with them," Hoag said from his suburban Chicago home.

Star's remodeling plans cater to women

By Kate Walter
Special to NHCN

WICHITA — Star Lumber & Supply Company is currently remodeling all three of its stores. The main store is nearing completion; the second will be finished this winter; and work on the third will begin this fall.

Rather than adding more floor space to the stores, the changes involve shifting existing departments, creating new departments, adding higher gondolas and building a hardware distribution center next to the main store.

"Our philosphy behind these renovations is to create a section just for our women customers," said Dave Gregory, advertising director. "Since we have a huge carpeting department, Star has a larger female clientele than most home centers. We're devoting the entire front to women."

In this area, Star Lumber is creating a new department—bath fashion—which will feature bathroom vignettes. Paints and wallpaper were moved to the front and now share this section with carpeting and kitchen vanities. Vinyl floor coverings are adjacent.

Paneling was previously in the front but was moved to the back to join building supplies and millwork. New items were added to the millwork department, which was entirely redone. The service counter was repositioned into the back section.

"We've really got the store set up so that, when a couple enters the store, you know where she's going to be heading and where he's going to be heading," said Gregory.

Another change is that all gondolas are now a minimum of five and a half feet; some are as tall as seven feet. (Many gondolas were previously only four and half feet.)

Star employees did the remodeling work, but an outside consultant was called in to redesign the new layout.

P.F. O'Connor to open new warehouse

By Elizabeth Brent
NHCN staff editor

BRAINTREE, Mass. — If things go as planned at P.F. O'Connor this November, the company could open what promises to be the nation's largest warehouse home center store.

The 300,000-square-foot store, called the P.F. O'Connor Building Material Warehouse, a Brewster Co., is scheduled to open in a former distribution center in Revere, Mass. The 600,000-square-foot building was purchased from Towle Manufacturing, a silver company, for $15.5 million on July 16, according to Patrick O'Connor, company president.

The purchase is an ambitious move by the nine-unit company which only entered the retail DIY arena in 1986 when it acquired the Providence, R.I.-based Brewster's stores. Previously, the company operated only "lean and mean" lumberyards concentrating exclusively on the builder customer.

The four stores gave the $74 million company experience in operating 10,000-square-foot stores carrying 10,000 stockkeeping units. The new store, with its 25,000 stockkeeping units displayed on 32-foot H frame racking, will be a different undertaking.

The Revere, Mass., site will allow P.F. O'Connor to tap the

(Continued on page 217)

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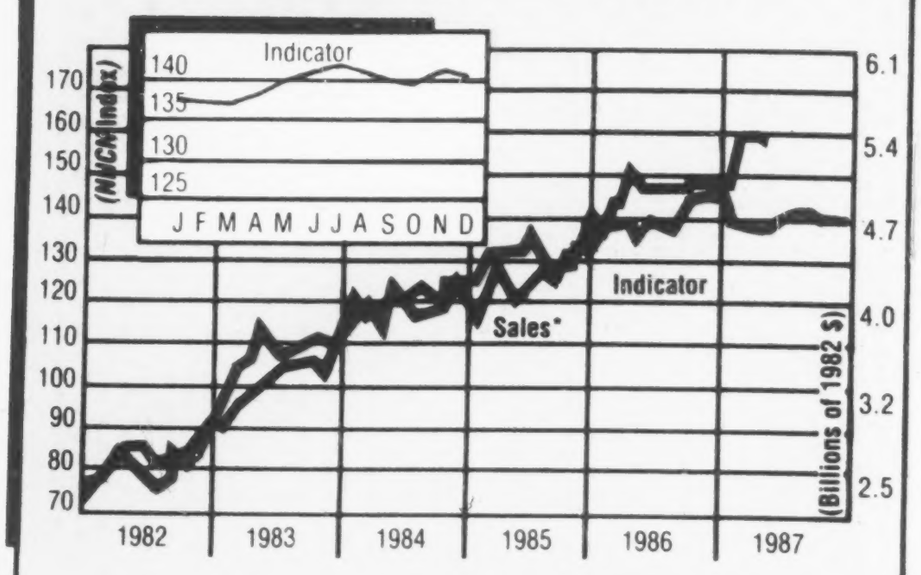


*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting building material sales to remain flat during the second half of 1987. Resales remained strong in the first quarter but the rise in mortgage rates suggests fewer starts and resales ahead.

Renovations expected to boost bldg. materials sales 4% in '87

By Richard E. Mount
Special to NHCN

Home improvements, including additions and alterations to existing homes, will be growing markets for building material retailers, helping boost sales 11 percent in dollar volume in 1987, six percent after inflation.

Additions and alterations

Spending for additions and alterations will rise about four percent this year after inflation. Additions include spending to enlarge the outside of an existing home while alterations are major renovations inside the home, such as converting one room to two.

Demand for additions and alterations will grow in 1987

Richard E. Mount

because of the rapid pace in new and existing home sales in 1983 and 1984, when the economy emerged from a recession.

After three to four years of ownership, homeowners typically begin major changes to their homes and this part of additions and alterations spending is coming into the market now. This year's four percent rise is on top of last year's 33 percent and will again push spending to a record high.

The new tax law permits the deductibility of interest payments for home improvements, while most other areas of consumer loans, including auto loans are excluded. By reducing the relative costs of home

(Continued on page 17)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

	1985 QIV	1986 QI	1986 QII	1986 QIII	1986 QIV	1987 QI	1987 QII	1987 QIII	1985	1986	1987
***NHCN* Leading Sales Indicator** (January 1980 = 100)	124.7	127.9	132.1	137.1	138.6	140.2	141.9	140.4	118.5	130.4	140.3
General Economic Outlook											
GNP $1982 Billion	3,655.9	3,661.4	3,686.4	3,696.1	3,739.4	3,746.0	3,764.5	3,782.1	3,585.2	3,675.0	3,758.0
Real Disposable Income $1982 Bil.	2,581.2	2,625.8	2,605.5	2,595.4	2,613.8	2,696.2	2,642.2	2,654.5	2,528.0	2,602.0	2,626.7
Housing Permits (000 SAAR)	1,834	1,822	1,678	1,695	1,695	1,560	1,550	1,575	1,733	1,762	1,595
Housing Starts (000 SAAR)	1,938	1,878	1,758	1,702	1,795	1,620	1,600	1,600	1,742	1,806	1,654
New Home Sales (000 SAAR)	791	794	685	712	723	640	650	675	688	749	672
Resales (000 SAAR)	3,256	3,470	3,615	3,927	3,617	3,600	3,500	3,500	3,214	3,565	3,554
Prime Rate %	9.4	8.6	7.9	7.5	7.5	8.1	8.5	8.5	9.9	8.4	8.2
Mortgage Rate % (HUD)	10.8	10.1	10.2	9.7	9.1	10.4	10.4	10.4	12.5	10.2	10.1
Consumer Price Index (1967 = 100)	327.7	326.3	328.4	330.7	335.0	339.0	343.0	347.2	322.1	328.3	341.1
Producer Price Index (1967 = 100)	292.1	288.5	288.2	290.2	292.3	296.2	299.8	303.9	293.8	289.8	298.1
New Housing Affordability 1980-100)	128.6	129.4	126.1	128.9	129.2	127.3	119.3	118.8	117.6	128.3	123.7
Residential Alterations and Repairs											
Current Total $ millions SAAR	91,800	83,300	104,400	86,700	94,581	96,972	98,978	101,386	88,267	91,416	97,979
Maintenance and Repair	37,700	29,800	40,600	36,300	37,570	38,288	39,094	39,834	35,358	35,990	38,697
Additions and Alterations	33,900	39,600	44,700	35,400	39,318	40,538	41,334	42,647	28,775	38,662	40,959
Major Replacements	20,200	13,900	15,000	19,100	17,693	18,146	18,550	18,904	16,134	16,766	18,323
Constant Total Millions $1982 SAAR	83,655	74,114	96,100	83,969	86,600	87,910	88,840	90,100	74,614	84,459	88,363
Maintenance and Repair	34,355	26,514	38,900	33,569	34,400	34,710	35,090	35,400	32,864	33,334	34,900
Additions and Alterations	30,892	35,233	42,828	32,737	36,000	36,750	37,100	37,900	26,791	35,423	36,938
Major Replacements	18,408	12,367	14,372	17,663	16,200	16,450	16,650	16,800	15,180	15,702	16,525
Retail Trade Activity											
Current Total $ millions SAAR	1,414,624	1,431,108	1,486,596	1,485,648	1,472,336	1,511,155	1,534,076	1,553,925	1,379,621	1,445,875	1,517,873
Total Minus Automobile	1,104,376	1,109,508	1,122,908	1,133,900	1,157,804	1,166,438	1,188,030	1,202,138	1,067,762	1,117,943	1,178,602
Building Material, Hardware, Garden Supply, Mobile Home	86,136	87,528	88,884	89,488	91,328	95,373	96,917	97,384	75,556	88,009	95,250
Building Material and Supply	63,708	64,396	62,956	64,584	68,720	72,030	73,848	75,766	55,695	65,529	72,591
Hardware	10,500	10,884	11,832	11,748	12,204	12,466	12,668	12,828	10,397	10,700	12,542
Constant Total Millions $1982 SAAR	1,343,879	1,347,130	1,387,454	1,375,074	1,346,187	1,368,000	1,375,000	1,379,000	1,287,616	1,363,384	1,367,047
Total Minus Automobile	1,070,696	1,059,027	1,064,042	1,066,022	1,070,696	1,068,000	1,077,000	1,079,000	1,003,247	1,064,947	1,073,674
Building Material, Hardware, Garden Supply, Mobile Home	84,172	84,482	84,599	83,399	84,352	87,216	87,750	87,300	71,575	84,163	86,654
Building Material and Supply	64,340	62,149	59,924	60,188	63,469	65,350	65,750	66,200	52,705	61,650	65,192
Hardware	10,007	10,508	11,262	10,949	11,272	11,400	11,470	11,500	9,860	10,682	11,411
Building Materials % of Total Less Automobile ($Current)	5.77	5.80	5.61	5.70	5.94	6.18	6.22	6.30	5.22	5.86	6.16

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
June 26, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Renovations to boost bldg. materials sales 4% in '87

(Continued from page 16)
improvements to other types of spending, additions and alterations spending will rise.

Adjustable-rate mortgages represented about two-thirds of mortgages closed in mid-1984. At that time rates were running about 12 percent. Many of these loans are being adjusted now with rates falling to about 8.4 percent. As homeowners face lower mortgage payments each month, some of the increase in extra income will go into home improvements.

Spending for major repairs is likely to increase 11 percent this year, five percent after inflation. Major repairs are large expenditures for big jobs such as replacing an entire roof and installing siding.

Income gains will rise through the year. The decline in the dollar makes U.S.-produced goods more competitive on international markets, increasing domestic manufacturing and employment.

GNP gains will be rising in the second half of 1987 and into 1988. The drop in oil prices in early 1986 devastated the economies of energy-producing areas. Now that oil prices are edging up, states such as Texas, Oklahoma and Alaska will improve.

The recent surge in interest rates is past. Rates have declined since. With lower interest rates, rate-sensitive markets such as home improvements will grow.

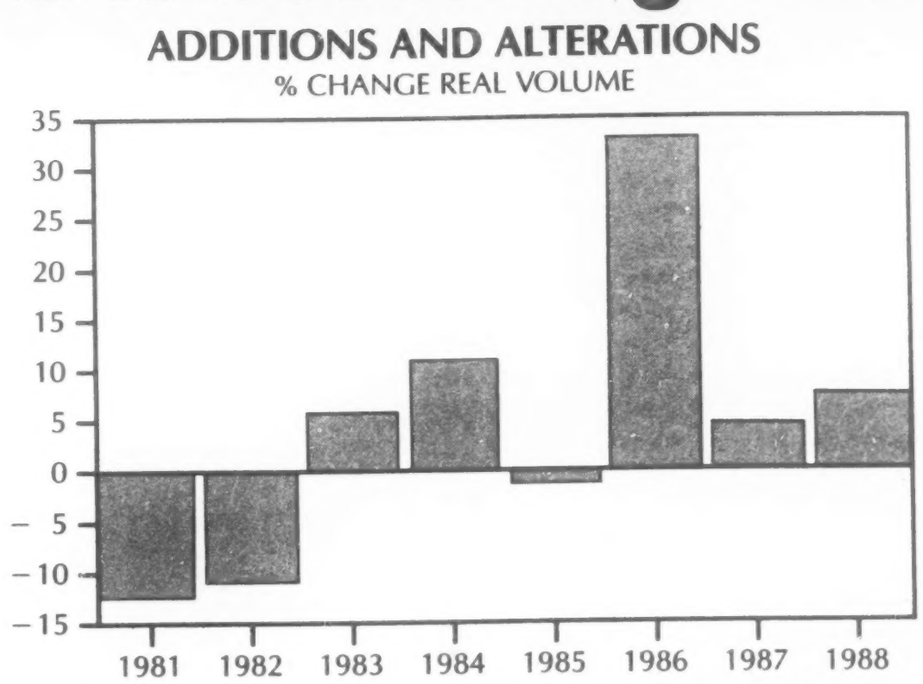
The best news for major replacement demand is that the housing stock is aging. Major replacements of roofs, heating systems and the like are needed after 15 to 20 years of service. The strength in housing from 1968 to 1973 (1972 was the all-time high for housing starts) provides a strong underpinning for major repair spending.

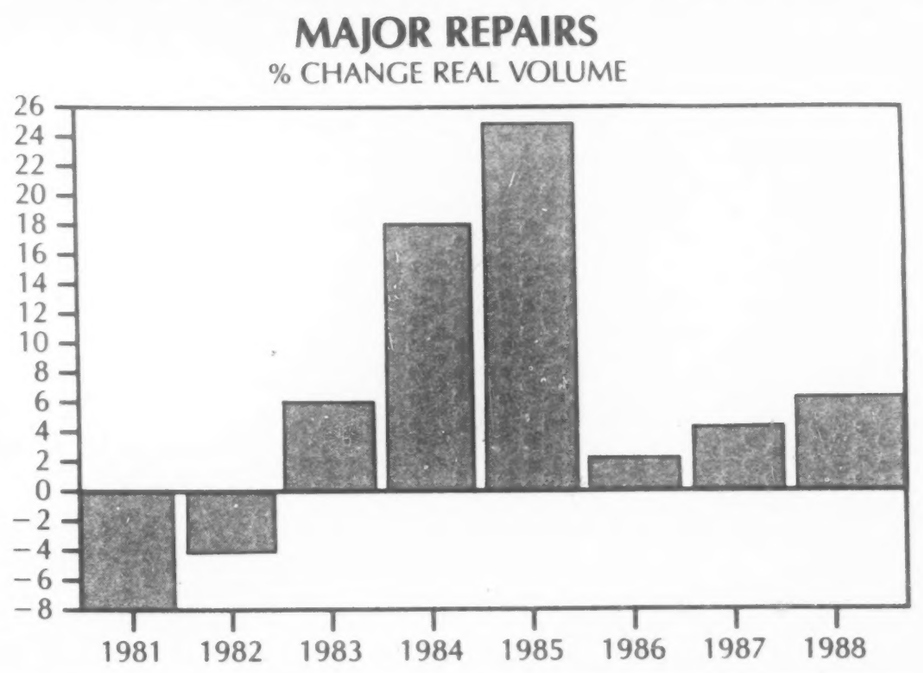
There are a few factors that will limit the rise of improvement spending.

Consumer debt remains a major problem. People will be increasingly wary of extending existing debt levels for home improvements, even if they are tax-deductible.

Economic growth, while rising will not be robust. GNP gains will be below three percent, the long-term average. Households in energy-and capital-goods-producing states are hard-pressed and the projected upturn in wages in these regions will be used to pay debt before a major acceleration in spending develops. Interest rates could begin to rise anew in the second half with the faster-paced economy keeping consumer spending somewhat in check.

Retail sales of building materials are expected to rise eleven percent this year, six percent after inflation. Among the many causes of this strong gain is strength in home improvements. Additions, alterations and major repairs will be rising because of the economy and prior levels of housing starts and resales. For retailers, 1987, like 1986, looks like another winning year.





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